

# Editorial

In the opening article in this issue of *Working Notes*, Eugene Quinn describes the difficulty of life within the direct provision accommodation system for applicants for asylum in Ireland – the restrictions of limited personal space, the impact of institutional living on families, and the boredom and loss of skills resulting from the ban on asylum applicants taking up employment. The impact of these various difficulties is all the greater, given that people may remain in the system for prolonged periods (the average length of stay is now over three and half years). Eugene Quinn says there is urgent need for legislation for a reformed asylum system and for additional resources for the courts to enable them to adjudicate more speedily on applications by asylum seekers for judicial reviews of decisions. There is also need to address the problems in direct provision itself, the most critical being the ban on working. He concludes that while a state has the right to control its borders, natural justice requires that a fair and transparent asylum process is provided and that applications within that system are processed and concluded within a reasonable period of time.

In the second article, Catherine Lynch writes that racism is a serious but under-reported problem in Ireland today: she points out that the findings of surveys, and the experience of NGOs, suggest a much higher incidence of the problem than is indicated by the number of ‘racially motivated incidents’ officially recorded by An Garda Síochána. She says that effective systems for recording and monitoring racist incidents are necessary not just to provide the possibility of redress for those affected, but to establish an evidence base for the development of appropriate legislation, policy and prevention strategies in relation to both racially motivated crime and discrimination in access to goods and services. She outlines how NGOs can play a vital role in the monitoring process and calls for leadership and political will to ensure that the issue of racism is taken seriously and effectively addressed.

Nicola Rooney writes on the role of the churches in regard to ‘ethical finance’. She says that the churches not only have a responsibility to show

leadership in public discussion on the financial sector but, as holders of significant financial reserves and therefore participants in the financial system, they have a responsibility to address the issue of ethical investment. Nicola Rooney outlines the main findings of a study on ethical finance prepared by an inter-church group, the Church in Society Forum of the Irish-Inter Church Meeting. The study found that church leaders had undertaken a considerable amount of work in relation to ethical investment (by way of reflection and the establishment of policy frameworks, for example), yet had given little thought as to how their work on this issue could be communicated to congregations. The findings of the study suggest that the churches in Ireland, individually and in collaboration with one another, should be more vocal and active in relation to issues of ethical finance.

In the final article, ‘Restoring the Fabric of Irish Economic and Social Life – A Theological Reflection’, Gerry O’Hanlon SJ refers to Maureen Gaffney’s statement that people respond to major crises in two main ways – ‘by constructing redemption stories or contamination stories’. He suggests that, in the face of the current economic crisis, the development of a ‘redemption’ narrative could offer vision and hope, and help to galvanise our society towards effective action.

In this article, the first of a series, Gerry O’Hanlon points out that the development of a ‘redemption’ narrative necessarily involves a willingness to examine some fundamental assumptions we have about ourselves and about our economy and society. In relation to the current crisis, he suggests that questions need to be asked about three features, in particular, of the dominant economic model: the role of the market, especially the financial market, the increase in inequality in income and wealth, and the belief that economic growth is always ‘good’. He says that, arising out of the crisis, we have the opportunity ‘to imagine and move towards’ a more sustainable economic model, but warns that achieving the kind of change required will not be easy, since resistance will be strong, particularly from those who stand to lose most from a re-balancing of the status quo.

# Lives on Hold: Living Long-Term in Direct Provision Accommodation

*Eugene Quinn*

## Direct Provision

Prior to 2000, people seeking asylum in Ireland were able to avail of mainstream social welfare payments, such as supplementary welfare allowance and rent supplement; in other words, they were assessed for entitlement along the same criteria as people already resident in the country. However, in the late 1990s the arrival of record numbers of people seeking the protection of the Irish State led to a change in policy in relation to the provision of accommodation and income for applicants during the processing of their claim. The result was the introduction of a system of ‘direct provision’.

Under this system, people applying for asylum are accommodated in specified accommodation centres, which provide food and essentials such as heating, lighting and washing facilities. The system is under the administration of the Reception and Integration Agency (RIA) of the Department of Justice and Equality.

New applicants are initially accommodated in a Reception Centre which is in Dublin, and are then allocated a place in one of the thirty-four accommodation centres located throughout the country. There are centres in sixteen of the country’s twenty-six counties, with several centres in the most populous locations – Dublin, Cork, Galway, Kerry, Limerick, and Waterford. Direct provision accommodation includes purpose-built centres; buildings that were formerly used as hotels, guesthouses, hostels, convents, or nursing homes; a mobile home site, and a former holiday camp. Only two accommodation centres are self-catering.

In most cases, the parent or parents of young children will be allocated just one room in the accommodation centre for their entire family; single people usually have to share their living space with

one or more residents of the same gender. Meals are provided at set times in a common dining room. Residents are not allowed to cook their own food. A weekly cash allowance of €19.10 per adult and €9.60 per child is payable to asylum seekers in direct provision centres.

## Duration of Stay

When ‘direct provision’ was introduced in 2000, it was not envisaged that people seeking asylum would find themselves living long-term in that system. The then Minister for Justice, John O’Donoghue TD, stated that a person would remain within the system on ‘a short-term basis (not more than six months)’.<sup>1</sup> But the reality turned out to be very different.

In a response to a Dáil question in April 2012 concerning the length of time asylum applicants spend in direct provision accommodation, the Minister for Justice, Equality and Defence, Alan Shatter TD, stated: ‘... it is not possible to specify exactly how long each person has resided in RIA accommodation. Protection applicants are not required to live in RIA accommodation and in many cases, may move in and out of the direct provision system as their circumstances change.’<sup>2</sup> However, in practice, the vast majority of asylum applicants have no option but to enter and remain in direct provision, since they do not have the income that would enable them to independently provide accommodation, food and other essentials.

Table 1 below sets out the data provided by the Minister in his response to the Dáil question in April 2012. In the case of almost 90 per cent of the 5,215 people then in direct provision, at least one year had elapsed since they first applied for asylum. In the case of over a quarter of applicants, it was longer than five years since they first applied. More recent statistics published by RIA, and

**Table 1: Length of Time since Initial Application for Asylum, April 2012<sup>3</sup>**

<1 Year	1–2 Years	2–3 Years	3–4 Years	4–5 Years	5–6 Years	6–7 Years	>7 Years
539 (10.3%)	630 (12.1%)	770 (14.7%)	945 (18.1%)	812 (15.5%)	670 (12.8%)	397 (7.6%)	272 (5.2%)

relating to November 2012, reinforce this picture of very lengthy periods in direct provision. In that month, well over half (60 per cent) of residents had been more than three years in accommodation centres and the average length of stay was three years and eight months.<sup>4</sup>

## **Lives on Hold**

People seeking asylum and those working with them report that residing long-term in direct provision involves significant human costs, in terms of impact on physical and mental health, family relationships and ability to participate in society. The negative effects on children (around one-third of residents<sup>5</sup>) are of particular concern.<sup>6</sup>

Direct provision accommodation does not provide a normal family environment for raising children. A prolonged period living in this institutional setting, which is often characterised by inadequate and overcrowded physical conditions, can inhibit a child's healthy growth and development. For example, children and their parents have to share accommodation and common facilities with a large number of strangers.<sup>7</sup> Often, children will grow up without the memory of their parents cooking a family meal. Parents' roles are further diminished by the fact that they are required to channel even the most basic decisions relating to their children's welfare through the management of the accommodation centre in which they are staying.

Living in direct provision becomes a defining element of a child's identity growing up. Services and activities are provided for them because they are asylum seekers. Unintentionally, such targeted provision can undermine integration by setting children apart from their peers. Lack of resources and the remote location of some centres may leave children socially excluded and cut off from the out-of-school activities of their classmates.

Adult asylum applicants face not just the restrictions inherent in living in direct provision accommodation, but other significant constraints, relating to work, income and education.

Asylum seekers in this country do not have a right to work. This has profound implications for their daily life – denying them the dignity of seeking a job and the chance to earn an income and support themselves. At the same time, this restriction ensures life in direct provision is extremely difficult, due to boredom and the lack of opportunity to use skills and qualifications and

to be involved with the wider community. Ireland is now one of only two European Union countries which do not allow people seeking asylum to take up employment, irrespective of the length of time they await a decision on their asylum application.

Unlike other social welfare payments, the cash allowance for people in direct provision centres has remained at the rate at which it was set when the system was introduced over twelve years ago. In addition, exceptional needs payments under the Supplementary Welfare Allowance Scheme, which may be made for occasional expenses (for example, to provide clothing or for back-to-school expenses), have been significantly curtailed in recent years. Moreover, people seeking asylum are not entitled to Child Benefit.

The ability of asylum applicants to participate in education beyond second level is also restricted, since they are not eligible to have their tuition fees paid in respect of post-Leaving Certificate or third-level courses under the Free Fees Initiative.

It is unsurprising, then, that people seeking asylum often feel that their lives are 'on hold' while they wait for a final decision in regard to their application for protection.

## **Experience of JRS Ireland**

The mission of the Jesuit Refugee Service (JRS) is 'to accompany, advocate and serve the cause of refugees and forcibly displaced persons worldwide'. In this country, JRS Ireland supports many individuals and families seeking asylum. Each week, JRS staff members and volunteers visit eleven direct provision accommodation centres (located in Dublin, Kildare, Laois and Limerick) to provide pastoral care and support. In response to needs identified on the ground, JRS Ireland has developed a range of services and activities, including language classes, training courses, homework clubs, an Integration Support Group and an extensive Summer Programme of activities for children.

In the experience of JRS Ireland, the length of time people have to spend in the direct provision system is the single greatest challenge in attempting to deliver appropriate services. An example of the problems posed relates to asylum seekers' participation in courses and activities. In the past, asylum seekers were often reluctant to make a commitment to embark on a long-term course or activity because they 'would not be around to finish

it': in other words, before the course or activity would have concluded, a decision would have been reached regarding their status, and they would have moved out of the asylum system.

As the years have gone by, however, the situation has changed radically, and asylum seekers' reluctance to do a course now often springs from the fact that they will continue to be in the asylum system beyond the duration of the course. And so some will say: 'Why should I bother? It will not make any difference. I will still be here afterwards, anyway'. With no definite end point, there is a loss of hope and meaning in people's lives, with a resultant loss of motivation and energy.

People living long-term in direct provision often express their sense of despair by saying that if they were in prison they would at least know when they could expect to be released. One person working with asylum seekers summed up the impact of prolonged waiting and uncertainty as follows: 'For so many, you notice as the years have gone by how the light has gone out of their eyes'.

## **Direct Provision Stories**

The following case studies, prepared by JRS Ireland outreach workers, give an insight into the reality of living long-term in direct provision. Names and identifying details have been changed but the stories are real.

### **Case Study 1**

Theo is from an African country and has been in the direct provision system for over four years. His application for refugee status was turned down, and he subsequently applied for 'leave to remain' on humanitarian grounds. Like many others, he has been waiting for more than two years for a decision on this application.

*I fled my country because I feared for my life. But since I have come to Ireland, I have found that there is more than one way to kill a person. I feel that while I am waiting for a decision these last four years I have been dying slowly.*

He says that life in direct provision is very difficult, with the hardest thing to face being the ban on taking up employment and the resulting boredom:

*I am deeply frustrated as an asylum seeker that I cannot work. I want to work. I do not want to be a burden on anybody. I want to pay my own way. About a year ago, I found myself getting depressed*

*because there was no reason to get up in the morning. No reason to get out of bed. This is not good for a person. I lost hope and started to think bad thoughts.*

Fortunately, a new project has helped Theo in the last twelve months. With the assistance of JRS, he started and completed training courses as a football coach for children under twelve. The next stage is to qualify for coaching youth teams; this is more challenging and requires him to volunteer as a coach with local clubs.

*Training to be a coach has saved me. It has given me back hope. I dream of coaching my own team. I am exercising hard and think about tactics while I run ... In the evenings, I watch professional games with new eyes – as a coach; I'm trying to spot the tactics being used. ... I have gone to all the clubs nearby to volunteer to get the coaching experience I need to go to the next level.*

Theo worries about other residents who do not have a project and says that life in direct provision has institutionalised many of them. They are bored and de-motivated. He recalls how, before becoming involved in coaching, he too had become deeply depressed by his situation, so much so that he had stopped telephoning his family in his homeland.

*I had nothing to say. I was embarrassed to tell them that I was not working, not doing anything useful, just getting up, eating and going to bed. I could not stand to hear the disappointment in my mother's voice. So I stopped calling her.... I feel really sorry for the guys who are married and have children. It is terrible they have to call home and always the same story – no work, no money, just waiting for the Department of Justice!*

### **Case Study 2**

Lisa and her partner came to Ireland in 2004 and applied for asylum. Life in their home country had become unbearable for political and family reasons. She says: 'We had to leave – or not live'.

Lisa and her partner lived in Hostel A for four months and were then transferred to Hostel B. They lived there for just over three years and during that time she gave birth to two children. Her relationship with her partner became tense and difficult and eventually they separated. She says many of the problems in their relationship arose because of the difficulty of living in a hostel.

Lisa and her children were then transferred to Hostel C, where they lived for two years. During that time, she applied for, and was granted, self-catering accommodation. She says the time they spent there – thirteen months – was the best she had experienced since leaving home. She and her children were happy and all was going well until they were told the self-catering village was to be closed. They were then transferred to another hostel, this time in Dublin, and have now been there for two years.

Lisa found this return to direct provision almost unbearable and her sense of frustration and disappointment at the reversal in her situation was heightened when she learned that some families were still living in the self-catering centre.

Aside from the food and ‘lodgings’ provided by the hostel, Lisa receives just €38.30 a week for herself and her two children; with such a limited amount of cash at her disposal, she finds it very difficult to meet the various expenses that arise for a young family, especially at times such as Christmas. She says:

*You know, if we had our own accommodation, I could cook what my children like and also get new clothes for them.*

As well as caring for her two children, Lisa has undertaken courses to further her own education and is doing voluntary work three days a week. More than eight years on from arriving in this country, she says:

*When I see other people who came to Ireland after us get their papers, I feel almost hopeless and yet, for the sake of my children, I cannot lose hope.*

### **Case Study 3**

‘When are we getting our ‘papers’?’ This has become the constant question of Patrice. Predictably, his face becomes more worried and his tone more anxious when he sees people around him getting their ‘papers’.

Patrice’s other recurring question relates to why, unlike his school friends, he is regularly taken out of class by his parents. This happens every few weeks, and then he and his parents and sister go to an office where his parents must ‘sign on’.

Patrice is seven years old. He was born in Ireland. He and his younger sister are the children of

asylum-seeking parents. Since arriving in this country, his mother and father have lived in direct provision accommodation. They share one bedroom with their son and daughter. They are among some 100 people from a dozen countries in three continents who have been assigned to this particular centre.

Patrice’s parents are now in their eighth year in Ireland. Both have professional qualifications but as asylum applicants they are prohibited from obtaining employment. Inevitably, their professional skills have diminished, while opportunities to update their training are practically non-existent. Inevitably too, there has been an ongoing erosion of their self-esteem.



*Canteen in direct provision centre*

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This family has gone through all stages of the asylum application system – initial interview, rejection of their application for asylum, an appeal to have this reversed, and, later, a request for ‘leave to remain’ on humanitarian grounds. In early 2009, Patrice’s parents were informed by the Department of Justice that their application had been refused. Then came notice of the Department’s intention to deport them, with the requirement that, in the meantime, on appointed dates, the mother and father, accompanied by their children, must ‘sign on’ with the immigration authorities. This they do faithfully, while attempting to have the refusal of their application for ‘leave to remain’ reviewed.

Meanwhile, seven-year old, Irish-born, Patrice continues to ask: ‘When ...?’

### **Length of Asylum Process: Why...?**

The case studies outlined above vividly illustrate some of the consequences for asylum-seeking men, women, children, and families of living long-term in direct provision. These stories give rise to an obvious question: why does the asylum application process take so long?

The official perspective on this issue is indicated in the written answer by the Minister for Justice, Alan Shatter TD, to the Parliamentary Question referred to earlier. The Minister's response suggests that delays in making a final determination are related to the fact that applicants may initiate proceedings for a 'judicial review' of a decision against them – for example, rejection of their claim or the issuing of a deportation order. The Minister further stated that delays were also caused by the staggering of asylum applications for children and by difficulties in executing deportation orders.<sup>8</sup> Essentially, the position adopted by the authorities suggests that it is the individual choices of asylum applicants, especially decisions to apply for judicial review, which lead to lengthy delays in completing the process.

Advocates for asylum seekers have a very different view as to what causes the delays. They point to significant structural faults within the asylum process, especially the continued absence of a 'single procedure', under which a person seeking protection could make one application, which would be assessed first on whether it met the requirements for granting refugee status, and failing that on whether it met the criteria for the granting of some other form of protection. Under the system operating in Ireland at present, applicants for protection must first apply for refugee status, and only after that has been refused, or where they have voluntarily withdrawn from the asylum process, are they permitted to apply for 'subsidiary protection' or for humanitarian leave to remain.<sup>9</sup>

NGOs and other advocates also suggest that two key weaknesses in the earliest stages of the current system for adjudicating applications are major factors contributing to the length of the process, since they result in large numbers of applicants resorting to the courts to challenge either the decision made or the decision-making process.

Firstly, the protection system does not generally provide legal advice and representation<sup>10</sup> at the earliest stages of the process and this may lead to an applicant failing to present their case fully and adequately to the Office of the Refugee Applications Commissioner (ORAC), which is responsible for making the initial decision on an application. There are strong arguments, on both humanitarian and financial grounds, for 'frontloading' legal advice and representation to the earliest stages of the process.<sup>11</sup>

Secondly, the operation of the Refugee Appeals Tribunal, which decides appeals made by asylum seekers whose application for refugee status has not been recommended by ORAC, has been criticised for alleged bias in its decision-making and lack of independence and transparency.<sup>12</sup> There have been calls by advocacy groups over recent years for the Tribunal to be replaced by a new, independent and more transparent appeals mechanism.

The judicial review process itself has now become characterised by long delays – and for applicants these delays translate into lengthier times spent in direct provision. The scale of the problem is indicated in a September 2011 article in *The Irish Times* by Justice Catherine McGuinness. She pointed out that as the High Court returned for a new term it faced a backlog of more than 1,400 asylum and immigration cases. Noting that such cases constituted almost 60 per cent of all judicial review cases before the courts, she said that applicants were waiting 'approximately 27 months for an initial hearing and a further four months for a full hearing'.<sup>13</sup> She argued that it was time for a reform of the asylum and immigration systems 'that would lessen the need for recourse to the courts'.

## Conclusion

A State has, of course, a right to control its borders but that right is not unrestricted. Natural justice requires that a fair and transparent asylum process is provided and that applications within that system are processed and concluded within a reasonable period of time. The State cannot evade its ultimate responsibility to ensure that such a system is in place.

It cannot be considered acceptable that in Ireland today such a high proportion of asylum applicants experience a prolonged wait until their claim is determined, and that for the duration of this process they live in direct provision accommodation, with all the restrictions and drawbacks of such institutional living and with the added burden of being debarred from taking up employment.

The delays in the court system in regard to obtaining leave to seek a judicial review and in hearing review cases themselves have become a major factor in prolonging the time that elapses before a final decision is made. Such delays are extremely costly in human terms for the people seeking protection and in financial terms for the State.

It is clear from its judgment in the case of *Okunade v Minister for Justice Equality and Law Reform & the Attorney General*,<sup>14</sup> issued in October 2012, that the Supreme Court considers revised and updated legislation on asylum and protection to be important and urgent if inordinate delays in the process, including the judicial review process, are to be avoided (see p. 9). In fact, of course, a wide range of groups and agencies – including Irish NGOs, UN bodies, the Council of Europe’s Commissioner for Human Rights, the European Commission against Racism and Intolerance (ECRI)<sup>15</sup> – have, over the past decade, repeatedly called for such legislation.

The Immigration, Residence and Protection Bill 2008, and the later revised 2010 Bill, provided for updated legislation, including a single procedure for processing applications for protection. However, it would seem that the necessary political will and sense of urgency regarding the finalising of new legislation in this area is lacking, given that it is now five years since the publication of the 2008 Bill, which itself was some years in preparation. In a letter to Nils Muiznieks, Council of Europe Commissioner for Human Rights, on 29 November 2012, the Minister for Justice, Alan Shatter TD, stated that a new and revised Bill, providing for a single procedure, would be published ‘as soon as possible in 2013’.<sup>16</sup>

The other issue that requires urgent reform is, of course, the direct provision regime itself. A system which may have merit as a form of short-term secure accommodation will become one that is inhumane and cruel if it has to be endured on a long-term basis. The prohibition on asylum seekers working at any stage in the process is draconian and unfair, when the State bears responsibility for failing to make a final decision on an application within a reasonable timeframe.

As already noted, children constitute one third of the population residing in direct provision centres. The long-term consequences of growing up in the institutionalised environment of direct provision have to be a matter of concern. Irish society has a clear duty of care to these children. Their lives should not remain on hold. We as a society should feel compelled to provide an answer to the question of seven-year old Patrice: ‘When ... ?’

## Notes

1. Press release issued by the Minister for Justice, Equality and Law Reform, John O’Donoghue TD, reported in *The Irish Times*, Tuesday, 28 March 2000.
2. Written answer to Parliamentary Question by Aengus Ó

Snodaigh TD (PQ 18024/12), Wednesday, 18 April 2012, *Dáil Éireann Debate*, Vol. 761, No. 3.

3. *Ibid.*
4. Reception and Integration Agency, *Monthly Statistics Report – November 2012*, Dublin: Reception and Integration Agency, Department of Justice and Equality, (<http://www.ria.gov.ie>).
5. *Ibid.*
6. A report published by the Irish Refugee Council in 2012 draws attention to a wide range of concerns regarding the accommodation of children in direct provision centres. Among the many issues highlighted were overcrowding, poor physical conditions, the impact of insufficient family income, lack of adequate play facilities, difficulties relating to participation in education, and concerns about child protection. See: Samantha K. Arnold, *State Sanctioned Child Poverty and Exclusion: The Case of Children in State Accommodation for Asylum Seekers*, Dublin: Irish Refugee Council, 2012.
7. The fears and anxieties of asylum seeking parents and children living in shared accommodation are well summarised in: Breda O’Brien, ‘Inhumane asylum-seeker system needs radical reform’, *The Irish Times*, Saturday, 23 March 2013.
8. Written Answer to Parliamentary Question by Aengus Ó Snodaigh TD (PQ 18024/12), Wednesday, 18 April 2012, *Dáil Éireann Debate*, Vol. 761, No. 3.
9. See Eugene Quinn, ‘The Immigration, Residence and Protection Bill 2008: Well Founded Fears?’, *Working Notes*, Issue 59, November 2008. ([www.jcfj.ie](http://www.jcfj.ie))
10. Applicants for protection may access free legal information through the Refugee Legal Service, but officers of the service are not usually qualified in law. Only if the applicant is considered to be particularly vulnerable (for example, a minor) will the RLS provide specific advice on filling out the detailed questionnaire which will form the basis for the person’s ‘substantive’ interview with the Office of the Refugee Applications Commissioner. Again, only if the applicant is deemed vulnerable, will he or she be accompanied at the substantive interview by a solicitor from the Refugee Legal Service. See: Elizabeth O’Rourke, ‘“Frontloading”: The Case for Legal Resources at the Early Stages of the Asylum Process’, *Working Notes*, No. 62, November 2009. ([www.jcfj.ie](http://www.jcfj.ie))
11. *Ibid.*
12. The inadequacies of the Tribunal were highlighted in the Supreme Court judgment, *Nyembo -v- The Refugee Appeals Tribunal & anor*, 19 June 2007, [2007] IESC 25.
13. Mrs Justice Catherine McGuinness, ‘Effective asylum reforms would reduce reliance on courts’, *The Irish Times*, Friday, 1 September 2011.
14. *Okunade v Minister for Justice Equality and Law Reform & the Attorney General* [2012] IESC 49.
15. In its 2012 report on Ireland, the European Commission Against Racism and Intolerance (ECRI) urged the Irish authorities to: ‘adopt as soon as possible the Immigration, Residence and Protection Bill so as to (inter alia) put in place one procedure for dealing with applications for asylum and subsidiary protection’. (European Commission Against Racism and Intolerance, *ECRI Report on Ireland, Fourth Monitoring Cycle*, Adopted on 5 December 2012, Published on 19 February 2013, Strasbourg: Council of Europe, p. 25)
16. <https://wcd.coe.int/com.instranet.InstraServlet?command=com.instranet.CmdBlobGet&InstranetImage=2196541&SecMode=1&DocId=1960438&Usege=2>

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## Supreme Court Judgment October 2012

### *Okunade v Minister for Justice Equality and Law Reform & the Attorney General [2012] IESC 49*

A judgment of the Supreme Court in October 2012, *Okunade v Minister for Justice Equality and Law Reform & the Attorney General*, drew attention to several features of the delays which so often characterise the asylum process at present. The case was brought by Ms. Okunade, a Nigerian national, and her four-year-old son, Daniel, who was born in Ireland; it was an appeal against the High Court's rejection in November 2011 of an application for an injunction to prevent the deportation of the mother and child. In its judgment, the Supreme Court overturned the High Court decision, stating that the disruption to family life which deportation would pose for the boy, 'who has known no country other than Ireland' and who could not be blamed for long delays in dealing with his case, was sufficient to warrant the injunction being granted.

The Supreme Court judgment stated:

*It is hardly the fault of that child that the substantial lapse of time involved in this whole process has led to such a situation. Rather that current status is a function of the lack of a coherent system and sufficient resources.* (n. 11.2)

In the course of its judgment, the Supreme Court commented in some detail on the length of time it is taking to complete the processing of applications for protection. It described the statutory regime for dealing with applications, and the statutory regime governing challenges in the courts by applicants seeking to reverse adverse decisions, as 'cumbersome' and 'apt to add to the difficulties with which the courts are faced in considering such challenges'. (n. 1.1)

The judgment highlighted specifically the delays related to the judicial review process arising from the fact that a person wishing to make an application for a judicial review must first apply to the courts to obtain leave to seek such a review. Given the number of applications, and the fact that many are opposed by the State, limited High Court resources are tied up at this stage of the process and so 'it can take some significant time before the court can conduct even the initial assessment required to decide whether leave to seek judicial review should be granted' (n. 1.2). If leave is granted, then there is a further waiting period for the actual judicial review hearing.

With reference to the protection process as a whole, the Supreme Court acknowledged that the precise way in which applications for protection should be determined is a matter to be decided by the Oireachtas, but nonetheless said:

*... it is appropriate to emphasise the desirability of there being a single and coherent structure within which all relevant decisions are made as a result of a single process.* (n. 6.2)

It suggested that the absence of such a system resulted in 'multiple challenges at different stages' of the process, a greater absorption of court time in dealing with cases brought, and significant lengthening of the overall process. (n. 6.2)

A change to a single structure, the Supreme Court suggested, would be likely to 'simplify the process and ... make any review by the courts of decisions made in this field significantly more straightforward.' (n. 2.7)

The Supreme Court summed its view on the importance of shortening 'the overall timescale' within which a final determination is made as follows:

*If persons have a legitimate case to remain in Ireland, on whatever basis, then the sooner a positive decision is made the better for all concerned. If persons do not have a legitimate case to remain in Ireland then it is very much in the interests of the State that a final decision to that effect is made as quickly as possible and acted on within a timeframe that does not give rise to persons in the system putting down roots. If people are not to be permitted to remain in Ireland then the final decision in that regard should be made and acted on as quickly as possible consistent with fair process. If such persons are to stay then they are also entitled to know that fact as quickly as possible.* (n. 6.7)



# Breaking the Silence on Racism

*Catherine Lynch*

## Introduction

Racism is a persistent and increasing problem in the European Union and it is a problem from which Ireland is not exempt. Racist incidents are an everyday occurrence in Ireland, but this is a reality that remains invisible to most of the population.

As a State, we have not yet developed the means to adequately deal with the issue. Racism is a violation of human rights and also a barrier to integration – it is clear that attempts to integrate or participate fully in Irish society will never be completely successful as long as racism persists.

This article outlines why monitoring racist incidents is an important element of any comprehensive strategy to address racism. Such monitoring gives a voice to people who experience racism; it also gives a voice to the silent majority who do not support racism.

In making the argument for effective monitoring I draw on international research and on a project to develop standards and a framework for monitoring racist incidents undertaken by the Irish Network Against Racism (ENAR Ireland), the co-ordinating body in Ireland for the European Network Against Racism (ENAR), which is based in Brussels.

## Incidence of Racism

We find ourselves in the curious position that both direct experience and research findings testify to the reality of racism and an increase in incidents in this country, but official data suggests that racism is not such a major problem.

This situation reflects the absence of a comprehensive monitoring system and means that the problem of racism is not being given the attention it merits, in particular at political and policy levels.

## Official Data

Official data on racist incidents in Ireland can be obtained through two main sources. The Central Statistics Office (CSO) publishes data, collected by An Garda Síochána, recording racist motivation in crimes and other incidents. In addition, complaints of discrimination (in the areas of employment and access to goods and services) on the basis of three of the nine grounds specified in Irish equality legislation – ‘race’,<sup>1</sup> ‘religion’ and ‘membership of the Traveller Community’ – are relevant to obtaining a picture of racism in Ireland.

Table 1 below shows the number of racist incidents reported to An Garda Síochána since the recording of such incidents began in 2003.

As Table 1 shows, there was a marked rise in the number of incidents recorded between 2003 and 2007 (an increase of 234 per cent). There followed a drop in recorded incidents in 2008 and an even greater fall in 2009, although the number then was still double that in 2003. The downward trend continued in 2010 and 2011.

However, the decline in recorded incidents is at odds with the experience of people involved in NGOs and community groups: *their* experience suggests that there has been an increase in both the extent and severity of racist incidents since the onset of the recession in 2008. Furthermore, NGOs in Ireland would argue that there are continuing limitations in the legal framework with regard to racist and hate crimes, which result in the racist element of some crimes not being officially acknowledged.<sup>2</sup>

In practice, the official statistics may tell us more about the level of State support for anti-racism action than about the actual level of racism. Prior to 2009, data on racist incidents was also available from the independent recording mechanism of the

**Table 1: Yearly Reported Racially Motivated Incidents 2003–2011**

Year	2003	2004	2005	2006	2007	2008	2009	2010	2011
Reported Incidents	64	68	100	173	214	172	126	122	114

National Consultative Committee on Racism and Interculturalism (NCCRI) but this ceased with the closure of that organisation in December 2008. The National Action Plan Against Racism 2005–2008, *Planning for Diversity*, also came to an end in 2008, with no coordinated follow up. Disproportionate cuts to the equality infrastructure and in supports for the community sector combined with other restrictions on public service expenditure, including communications, have resulted in a drastic reduction in equality awareness-raising campaigns and diminished supports to individuals. Such mechanisms and systems play a key role in the vindication of equality rights.

### **ENAR Ireland Data**

NGOs have been clear in identifying the negative consequences of the absence of an independent monitoring system. Arising from this concern, ENAR Ireland developed an independent mechanism to monitor racist incidents, by devising a framework to enable the standardised recording of information regarding such incidents, which can be reported face to face, by telephone, or online.<sup>3</sup> In addition to ENAR itself, local NGOs in Ireland have signed up to receive reports of incidents, recording them in line with the guidance and framework provided by ENAR Ireland.

In 2011, a total of 149 incidents were reported to ENAR Ireland and its partners. By the end of the nine-month period to September 2012, the number of incidents reported had already exceeded the total for 2011. Three-quarters of the incidents reported in 2011 involved racist violence or crime.

It is clear from people reporting racist incidents to ENAR Ireland, and from the findings of research conducted by An Garda Síochána, that of those who have been the victim of a racist incident no more than one person in six is likely to report this to the Gardaí. This mirrors an overall problem of underreporting world-wide and is one of the reasons it is important to ensure that NGOs working with victims are involved in the reporting process.

### **Survey Findings – Ireland**

The findings of a number of surveys in recent years reveal a picture of a much more widespread incidence of racism in Ireland than is suggested by official data. For example, research conducted in 2008 by the EU Fundamental Rights Agency (FRA) revealed that 73 per cent of respondents in Ireland who were from Sub-Saharan Africa believed that discrimination on the basis of ethnic or immigrant

origin was ‘very or fairly widespread’ in this country.<sup>4</sup>

More than half (52 per cent) of this group reported that during the previous twelve months they had experienced discrimination ‘on ethnic grounds’; a further 17 per cent said they had been discriminated against ‘on ethnic and on other grounds’, and 3 per cent ‘on other grounds only’.<sup>5</sup> In other words, only 28 per cent of the respondents who were from Sub-Saharan Africa had *not* experienced discrimination during the previous twelve months.

Of the survey respondents who had come from Central and Eastern Europe, 25 per cent believed that discrimination on the basis of ethnic or immigrant origin was ‘very or fairly widespread’ in Ireland and the same percentage had experienced discrimination on ethnic grounds during the previous twelve months.<sup>6</sup>

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*... of those who have been the victim of a racist incident no more than one person in six is likely to report this to the Gardaí*

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A report in 2012 by the ESRI and the Equality Authority on research conducted in 2010 showed that respondents of ‘black ethnicity’ experienced a far higher incidence of discrimination than those who were ‘white Irish’: overall, they were four times more likely to report having experienced some form of discrimination in the previous two years and over five times more likely to report serious discrimination.<sup>7</sup>

In terms of work-related discrimination, the incidence for people of ‘black ethnicity’ was over six times greater than that for ‘white Irish’ people and they were also much more likely to experience discrimination in accessing services such as housing, education, financial services, transport, shops and pubs.<sup>8</sup> Furthermore, people of ‘black ethnicity’ were the only group reporting a significant rise in discrimination between 2004 and 2010.<sup>9</sup>

A survey in 2009 of members of the Teachers Union of Ireland showed that, of those who responded, 46 per cent of teachers in community and comprehensive schools, and 40 per cent of

teachers in VEC schools, knew of a racist incident occurring in their school in the month prior to the survey.<sup>10</sup>

### **Survey Findings – EU**

The seriousness of the problem of racial discrimination right throughout the European Union EU is highlighted in the Fundamental Rights Agency (FRA) research already referred to. In terms of an overall picture, this study showed that one of every two Roma interviewees, four of every ten interviewees of Sub-Saharan origin, one of every three of North African origin, and one in every four of Turkish or Central and Eastern European origin reported that they had experienced discrimination on the basis of their ethnicity at least once in the previous twelve months.<sup>11</sup> Over 80 per cent of those who had been subject to discrimination on the grounds of their ethnicity or immigrant background did not report their last experience of discrimination either at the place where it had occurred or to any complaints body.<sup>12</sup>

The study also looked at the incidence of *crime victimisation* among minority groups during the previous twelve months; it revealed an average victimisation rate for minority groups of 24 per cent, with even higher rates for people of Sub-Saharan origin (33 per cent) and of Roma origin (32 per cent). The study showed that minorities were victims of personal theft, and assault or threat more often than majority populations.<sup>13</sup>

It also revealed that minority groups experienced

a high incidence of crimes of assault, threat of assault, or serious harassment which were considered by respondents to be ‘racially motivated’.<sup>14</sup>

### **ENAR Shadow Reports**

The yearly Shadow Reports of the European Network Against Racism (ENAR) are a compilation of information and data collected by the member organisations of ENAR, in the twenty-seven Members States of the EU. Shadow Reports aim to fill gaps in official and academic data, and to provide an NGO perspective on the experience of racism across the European Union. In addition to producing a Shadow Report for the EU as a whole, ENAR publishes country-specific reports for each of the twenty-seven Member States.

Table 2 below presents a snapshot comparison of the situation across the EU as a whole and within Ireland in relation to six key issues (the impact of the economic crisis; racism in the political arena; racist violence and crime; implementation of the EU Racial Equality Directive; multiple discrimination; racism affecting Roma and Travellers). The data for this Table is derived from ENAR Shadow Reports 2009/2010.<sup>15</sup>

### **Importance of Monitoring Racism**

As long as limitations in data collection mechanisms obscure the full picture of racism, the problem will not be adequately considered at societal and political level or accorded an adequate response.

**Table 2: Snapshot of Issues Relating to Racism, EU and Ireland**

Issue	EU	Ireland
Economic Crisis	Risk factor for increase in racism	Impacts disproportionately on ethnic minorities
Racism in the political arena	Rise of far right; racist discourse from mainstream	Invisibility of anti-racism on the political agenda
Racist violence and crime	On the increase	Limited capacity to record and respond to racist incidents
Implementation of legislation, including EU Racial Equality Directive	Some improvement and evidence of impact	Previously a ‘champion’ of the Directive – but exemptions in equality legislation problematic; budget of Equality Authority halved since 2008
Multiple discrimination/intersectionality	Evidence of problem but limited capacity to respond	Evidence of problem; some acknowledgement but struggling to respond
Roma and Travellers	Target	Target. No recognition of Traveller ethnicity by the State

Recording racist incidences is, in the first instance, essential to securing redress for those affected. Furthermore, accurate and comprehensive recording of racism can provide an evidence base for policy and legal development, as well as contributing to the prevention of racially motivated crime, to the effective operation of equality legislation and to the promotion of integration.<sup>16</sup> Effective monitoring of racist incidents is therefore recognised internationally as a key action in any strategy to address racism.

### **Challenges**

Definitions are crucial in the process of monitoring racism: it is important to reach agreement on what constitutes a racist incident. The definition used by An Garda Síochána is as follows: ‘Any incident which is perceived to be racist by the victim or any other person’.<sup>17</sup>

Public perceptions are clear about violent, individual incidents of racism, but it is likewise important that there is public recognition and acknowledgment that racist incidents can also occur in terms of access to goods and services and in the area of employment.<sup>18</sup>

It is also important to identify and understand the factors that serve as barriers to reporting racist incidents; such barriers include lack of access, lack of trust and poor outcomes. If they are to be effective, monitoring systems must have the capacity to overcome these barriers and in this the involvement of community organisations may be the key.

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*Effective monitoring of racist incidents is recognised internationally as a key action in any strategy to address racism.*

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### **Facilitating Effective Monitoring**

Research indicates that a number of principles and components need to be evident if an approach to monitoring racist incidents is to be comprehensive and effective.

A cornerstone is the presence of an *independent mechanism* whereby people can report racist incidents confidentially. Building the trust and confidence of ethnic minorities, including

Travellers, in the system is crucial to ensuring that racist incidents are reported.



*Refusing to see racism*

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Access is increased by providing *different ways of reporting* racist incidents. Local organisations play an important role both by encouraging people to report incidents and collecting reports which can inform the national picture. New technologies offer some potential to improve the rate of reporting.

It is important also that the recording of racist incidents is built into the *existing reporting and monitoring mechanisms* of statutory bodies. Ultimately, data collection must have a purpose – effectiveness can only be truly measured in outcomes.

*Supports at the individual, organisational and community levels are required.* At the individual level, a number of aspects of ‘victim support’ are crucial.<sup>19</sup> Those who receive reports need to understand racism and have adequate information about the issue. People making a report will expect something to be done. In some instances, the fact that the report is recorded may be considered by the person who has experienced racism to be sufficient action – sometimes people just need to tell their story and be believed. The systems in place need to recognise and make clear that *witnesses* can report a racist incident – they may not face the same difficulties as people who have actually experienced the incident.

*The local, national and European contexts are complementary.* As EU institutions and NGOs strive to ensure comparability of data, it is important to bear in mind how the data collection process might facilitate comparison in the EU context, given that many equality measures are instigated at a European level.

*Structural barriers need to be removed.* The mechanism for recording racist incidents developed by ENAR Ireland has the potential to address barriers to reporting, through the involvement of community organisations and relevant authorities. However, certain structural factors need to be addressed by Government in order to create the conditions for this work to reach its potential. In particular, two key issues which need to be resolved by the Irish Government are:

**Legal framework:** The law needs to deal with racism if there are to be outcomes for individuals who report racist incidents. Across the country, weaknesses in the criminal law are noted as a barrier to reporting racist incidents. The Government needs to reform the law to adequately recognise racist crime,<sup>20</sup> thereby sending a clear message that racism is not acceptable. In two judgments in the past decade, the European Court of Human Rights has determined that States Parties to the European Convention on Human Rights have a positive obligation (under Article 14) to thoroughly investigate possible racial motives for crimes; this obligation applies whether the acts are perpetrated by agents of the state or by private individuals.<sup>21</sup>

**Recognise Traveller ethnicity:** There are ambiguous messages from Government and officials regarding Travellers' experience of racism. While Travellers are protected under Ireland's equality legislation, some argue that since Travellers are not recognised as an ethnic group they cannot experience racism; this will remain an issue as long as the Government fails to recognise the ethnic identity of Travellers.

## Conclusion

Racism is a motivating and contributing factor in criminal acts of every level of severity from harassment to murder and it is a factor also in discriminatory behaviour in relation to employment and access to goods and services.

Effective recording of racist incidents not only opens the possibility of securing redress for the individuals affected, but provides an evidence base that can inform the development and implementation of appropriate legislation and public policy. However, the under-reporting of racist incidents is a serious problem, which occurs at local, national and European levels. Barriers to reporting include lack of access, lack of trust and

lack of an effective response. These barriers need to be overcome if the problem of under-reporting is to be addressed. It is also important that there should be awareness-raising and education regarding racism, and engagement with 'data holders' (for example, policy makers).

An independent, confidential and comprehensive reporting mechanism is the cornerstone to effective monitoring of racism. NGOs and community organisations have an important role to play in breaking through access barriers and must be seen as key partners in developing and implementing an effective monitoring system.

Reports of racism must be taken seriously and there needs to be leadership and political will in relation to the issue of racism, if the phenomenon as it exists in Irish society is to be fully recognised and a clear message sent that racist behaviour will not be tolerated.

Denying the problem of racism will not make it go away; instead, we need to prevent racism, and to respond effectively where it occurs, and so we must be able to measure it. Not only are anti-racism and equality key to economic recovery but ignoring racism and inequality at this time has the potential to create social conflict and harm from which it could take decades to recover.

## Notes

1. There is only one race, the human race. However, the term 'race' is used in inverted commas in this article where reference is made to Irish equality legislation which continues the use of the term.
2. Exemptions provided for in Irish equality legislation are also problematic. For example, certain controlling duties and other functions carried out by An Garda Síochána are not covered by the legislation.
3. Further information about the initiative is available at: [www.enarireland.org](http://www.enarireland.org). The website also enables reports of a racist incident to be made (see: [http://enarireland.org/racist\\_incident\\_report/](http://enarireland.org/racist_incident_report/)).
4. See European Union Agency for Fundamental Rights (FRA), *European Union Minorities and Discrimination Study, Main Results Report*, Vienna: FRA, 2009, p. 84 ([http://fra.europa.eu/sites/default/files/fra\\_uploads/664-eumidis\\_mainreport\\_conference-edition\\_en\\_.pdf](http://fra.europa.eu/sites/default/files/fra_uploads/664-eumidis_mainreport_conference-edition_en_.pdf)).
5. *Ibid.*, p. 88.
6. *Ibid.*, p. 116.
7. Frances McGinnity, Dorothy Watson and Gillian Kingston, *Analysing the Experience of Discrimination in Ireland: Evidence from the QNHS Equality Module 2010*, Dublin: ESRI and The Equality Authority, 2012 (<http://www.esri.ie/UserFiles/publications/BKMNEXT223.pdf>).
8. *Ibid.*, p. 23.
9. *Ibid.*, p. 81.
10. Teachers' Union of Ireland, *Results of the Behaviour and Attitudes (B&A) Survey on Racism, Interculturalism, and Resources for Minority Ethnic Students incorporating*

- the Recommendations of the TUI Equality Council*, Dublin: TUI, April 2010 ([www.tui.ie](http://www.tui.ie)). See also: 'TUI says 46% of teachers aware of racist school incidents in past month', *The Irish Times*, Monday, 5 April 2010; Katherine Donnelly, 'Racism on the rise among teenage pupils', *Irish Independent*, Monday, 5 April 2010; Niall Murray, 'Schools and colleges 'ill-equipped' to deal with rise in racism incidents', *Irish Examiner*, Monday, 5 April 2010.
11. European Union Agency for Fundamental Rights (FRA), *European Union Minorities and Discrimination Study, Main Results Report*, *op. cit.*, p. 8.
  12. *Ibid.*, p. 13.
  13. See European Union Agency for Fundamental Rights (FRA), *Data in Focus: Minorities as Victims of Crime*, Vienna: FRA, 2012, p. 8 ([http://fra.europa.eu/sites/default/files/fra-2012-eu-midis-dif6\\_0.pdf](http://fra.europa.eu/sites/default/files/fra-2012-eu-midis-dif6_0.pdf)).
  14. *Ibid.*, p. 11.
  15. Data taken from: *Racism in Europe, ENAR Shadow Report for 2009–2010* ([http://cms.horus.be/files/99935/MediaArchive/publications/shadowReport2010\\_EN\\_web\\_LR%20final.pdf](http://cms.horus.be/files/99935/MediaArchive/publications/shadowReport2010_EN_web_LR%20final.pdf)) and from *ENAR Shadow Report for Ireland 2009/2010, Racism and Discrimination in Ireland* (<http://cms.horus.be/files/99935/MediaArchive/publications/Ireland.pdf>).
  16. The local Anti-Racism and Diversity Plans (arising from the National Action Plan Against Racism) and the Peace III Programme have been notable facilitators for monitoring racist incidents at local level.
  17. The Garda definition is informed by the findings of the official inquiry, conducted by Sir William Macpherson, into 'matters arising from the death of Stephen Lawrence', which occurred in London in 1993. The report, published in 1999, found there had been a number of failures in the way the Metropolitan Police Service had investigated the murder, and also found examples of 'institutional racism' within both the Metropolitan Police and the police service in general. (Sir William Macpherson, *The Stephen Lawrence Inquiry: Report of a Committee of Inquiry*, London: The Stationery Office, 1999, Cmnd. 4262-1; see: <http://www.archive.official-documents.co.uk/document/cm42/4262/sli-pre.htm>)
  18. At present, ENAR Ireland, the national independent organisation monitoring racist incidents, monitors incidents under three general categories: racist violence and crime; access to goods and services; employment.
  19. See also Paul Iganski, *Racist Violence and Crime in Europe*, Brussels: European Network Against Racism/ Open Society Institute, 2011.
  20. ENAR Ireland has called on the Government to reform the law on racist crime. The issue of including racist motivation as an aggravating factor to be considered in sentencing has also been raised by The Committee on the Elimination of Racial Discrimination (CERD), the UN Committee which monitors implementation of the Convention on the Elimination of All Forms of Racial Discrimination, and by the United Nations Human Rights Council (HRC). A review of the criminal law in Ireland, commissioned under the National Action Plan Against Racism, concluded that: 'The Criminal Justice System can only be used as a last resort for combating racism in society. The main purpose of the criminal law in this regard is to send a clear and strong message to society that racist behaviour will not be tolerated. That said, changes must be made to Irish law to facilitate the prosecution of the most egregious forms of racist behaviour, whether this behaviour comes in the form of the expression of racist comments, where a crime is committed with a racist motivation, or where a crime is racially aggravated'. See: Jennifer Schweppe and Dermot Walsh, *Combating Racism and Xenophobia Through the Criminal Law, A Report Commissioned by the National Action Plan Against Racism*, Dublin: NCCRI, 2008, p. 189 ([http://www.integration.ie/website/omi/omiwebv6.nsf/page/AXBN-7UPE6D1121207en/\\$File/Combating%20Racism%20with%20the%20Criminal%20Law.pdf](http://www.integration.ie/website/omi/omiwebv6.nsf/page/AXBN-7UPE6D1121207en/$File/Combating%20Racism%20with%20the%20Criminal%20Law.pdf)). A 2011 paper by Seamus Taylor for the Equality Authority offers specific recommendations. See: Seamus Taylor, *Responding to Racist Incidents and Crime: An Issues*

*Paper for the Equality Authority*, Dublin: The Equality Authority, 2011.

21. European Court of Human Rights, *Case of Nachova and others v. Bulgaria* (Applications nos. 43577/98 and 43579/98), Judgment, Strasbourg, 6 July 2005 (<http://hudoc.echr.coe.int/sites/eng/pages/search.aspx?i=001-69630>); European Court of Human Rights, *Case of Šečić v. Croatia*, (Application no. 40116/02), Judgment, Strasbourg, 31 May 2007 (<http://hudoc.echr.coe.int/sites/eng/pages/search.aspx?i=001-80711>). See also: European Union Agency for Fundamental Rights (FRA), *Hate Crime in the European Union*, Factsheet, published 27 November 2012 ([http://fra.europa.eu/sites/default/files/fra-factsheet\\_hatecrime\\_en\\_final\\_0.pdf](http://fra.europa.eu/sites/default/files/fra-factsheet_hatecrime_en_final_0.pdf)).

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# Ethical Finance

*Nicola Rooney*

## Introduction

Many Christians in Ireland, either individually or as members of organisations, have long been campaigning for greater justice and transparency in economic and financial activity. During the 'boom' times they may well have felt like the biblical voice crying out in the wilderness; today, however, in the wake of successive financial scandals, discussion of 'ethical finance' has gained new momentum and immediacy.

Prior to the global financial crisis, if you were to ask people in Ireland what they understood by ethical finance, it is likely that most responses would have made reference to the need to protect vulnerable communities in the developing world. Now the devastating consequences of unethical financial practices have been experienced in a very real way much closer to home. As a result, we have seen rising public demand for radical reform aimed at ensuring that the financial sector serves the interests of society, and not the other way round.

The Christian churches have a particular responsibility to show leadership in the debate on the future of the financial sector. Through their ministry, faith leaders are experiencing first-hand the impact of the financial crisis on individuals and families. Many have spoken in the media of the fear in their communities when a factory or plant which is a major employer in the area announces the closure of some or all of its local operations. In June 2010, the leaders of the four largest Christian churches in Ireland challenged the banks on their treatment of businesses in Northern Ireland: the leaders highlighted the economic, social and personal consequences of lending practices they considered unfair and damaging to the local economy.<sup>1</sup>

Of course, it needs to be remembered that churches are also investors and in this capacity they are participants in that same financial system which has failed to serve the common good of society. Taken all together, the financial reserves of the Irish churches represent a substantial body of investments. Collective demands for change from church leaders consequently have the potential

to have a significant influence on key decision-makers.

## Current Practice in the Irish Churches

In 2011, the Church in Society Forum of the Irish Inter-Church Meeting initiated a study to assess the extent to which member churches, at an official level, are engaging with the issue of ethical finance, and whether the global financial crisis has had any impact in this regard.<sup>2</sup> (The Church in Society Forum is a body made up of church representatives with expertise in social issues and public policy who are appointed from across the fifteen Christian churches of the Irish Inter-Church Meeting.<sup>3</sup>)

The Forum surveyed current practice in our churches through a series of meetings with trustees and senior finance personnel. This article will provide an overview of the main findings of that research, before going on to highlight some of the key areas for further reflection arising out of the Forum's report.

Unsurprisingly, we found that all participating churches have been adversely affected by the financial crisis. The adverse consequences ranged from decreasing share value to losses against property investments. In some cases, this experience resulted in immediate re-examination and modification of investment practices, as churches realised that they had been exposed to excessive risk.

We also found a growing realisation that churches will have to plan carefully for the future. Although incomes remain high in some areas, others are seeing an increasing deficit as the financial situation of parishioners and congregation members has changed. Looking to the future, the rising age profile of both church members and clergy presents a further financial challenge.

It was reassuring to learn that, despite the pressing need to secure sustainable sources of income, all participating churches had some form of framework in place which established ethical guidelines for investment. All those interviewed clearly stated that ethical considerations could not be sacrificed

to maximise returns, no matter how important the work to be funded.

## **Ethical Investment Challenges for Churches**

Although easily agreed in principle, ethical investment poses considerable challenges in practice – for churches as institutions and for individual church members.

The first challenge is one of definition. The *Oxford English Dictionary* defines ‘ethical’ as ‘morally good or correct’ and ‘avoiding activities or organisations that do harm to people or the environment’. Attempting to define what is ‘morally good or correct’ or what constitutes ‘harm’ makes for an interesting discussion.

Investing in companies which produce alcohol, for example, is acceptable to some churches, while explicitly excluded by others. All churches consulted had a policy of not investing in arms production, but some participants wondered whether there was not a contradiction in relation to this, since their church did not oppose the right of states to establish armies and arm them for defence, within the limits of the law.

Even a seemingly straightforward ethical stance can have a significant limiting impact on investment options. Not investing in pornography, for example, means that a large number of major retail outlets are excluded, because they stock magazines with unacceptable content. The complex structures of the large corporate entities which tend to dominate today’s investment market make it very difficult to obtain accurate information about all the activities of component parts. This presents real problems for churches who have limited personnel and expertise at their disposal. In the management of their finances, churches are forced to rely, to varying degrees, on external fund managers. Often this means they have to be both vigilant and assertive in order to ensure adherence to agreed ethical criteria.

### **Positive or Negative Screening?**

The question of whether churches should favour positive or negative screening practices prompted considerable debate in the course of our research. Essentially, negative screening implies a refusal to invest in funds or companies that do not meet specified ethical criteria, while positive screening involves investors actively seeking out opportunities to invest in sectors they wish to

promote for ethical reasons. To date, reasonable progress has been made on the former, but those campaigning on ethical finance issues argue for much more attention to be given to the latter, on the basis that positive screening offers an even greater opportunity to transform cultures and change attitudes. Often, positive screening is seen as a way to support worthy initiatives that would otherwise lack the funding to get off the ground.

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*... ethical investment poses considerable challenges in practice – for churches as institutions and for individual church members*

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All churches participating in our research, however, placed greater emphasis on negative screening, for several reasons. For a start, investment options that would be considered acceptable according to positive screening principles (in areas such as renewable energy, for example) are frequently untested. As trustees, churches are legally obliged to avoid excessive risk and therefore find it difficult to justify such investments. Church representatives in our study also made the case that negative screening has an equally important role to play in changing behaviours and can, at times, be more urgent. The withdrawal of investments can force companies to cease harmful practices. Some of the churches we consulted had direct experience of using their position as shareholders to hold companies to account on practices such as child labour.

### **Opportunities for Change**

One of the most surprising findings arising from the study was that, in the area of ethical investment, church leaders have done a considerable amount of work – reflecting, engaging, establishing policy frameworks – yet appear to have given little thought to communicating this message to the congregations they bring together for worship. During the boom times there may well have been little appetite for these kinds of discussions, but people are much more receptive today. Outside of the churches it is often difficult to escape discussion of money and banks; church leaders have the opportunity to inject some consideration of Christian values into these discussions.



Churches need to be actively engaged in promoting an alternative to the unjust and unsustainable model of economic growth that is responsible for the current crisis. It is the task of political leaders to implement the necessary changes in policy and legislation, but these changes will only be introduced if there is sufficient public demand.

As we live through yet another year dominated by economic and social crises, a desire for stability and sustainability is beginning to take precedence over the individualistic materialism of the pre-crisis period. Churches need to be courageous in challenging behaviours and attitudes, but this will only be accepted to the extent that churches themselves are willing to lead by example in engaging in a process of critical self-reflection which considers their role as participants in the current economic system.



*Investment not just a matter of financial risk and reward* © iStock

## Next Steps

The findings of the Church in Society Forum study point to a number of challenges the churches need to address in order to make an effective contribution to the process of creating a more ethical financial system.

*Churches need to be more vocal and active in relation to issues of ethical finance.* They also need to explore together opportunities for collaboration and sharing of resources in order to maximise their effectiveness in this area.

*Churches need to ask challenging questions.* Obviously, churches do not have all the answers to the current economic crisis (especially given the complexity of the issues involved) but this should not inhibit their asking searching questions about the underlying forces at work in our economic and financial systems. Many elements of current practice in the financial sector are fundamentally

unchristian and the churches can make an important contribution to reform by highlighting the responsibilities that arise from the application of the principles of solidarity and the common good. Viewed in this light, it becomes clear that the market cannot be allowed to operate as though it were somehow separate from the rest of society.

*Churches need to encourage their members to become more active participants in matters of the economy* – by, for example, educating themselves and taking the time to ask questions such as: ‘What do the banks do with the money we invest in them?’.

*Churches need to press for greater transparency in the financial system.* There are many parallels between the difficulties experienced by the churches as organisations and those facing the individual person or household in attempting to secure ethical investment opportunities. The range of such investment options currently available in Ireland is extremely limited, and the terms and conditions are often restrictive – for instance, the minimum level of investment required and conditions of access to savings. The individual saver faces similar challenges in terms of assessing the extent to which options presented as ethical align with his or her values. This problem can only be addressed through concerted action by governments to place an obligation on companies to provide full and transparent disclosure, on a country-by-country basis, of all aspects of their activity. In the wake of the financial crisis, it should be clear that addressing these issues is in the best interests of society, now and for the generations to come.

## Conclusion

The 2010 public statement on banking practice from the leaders of the four largest Christian Churches attracted significant media attention. Business owners gave statements to illustrate the points made with examples from personal experience; banks issued press releases in response; church representatives were invited to a meeting with representatives of the Northern Ireland Assembly. This experience demonstrates that churches have the potential to set the tone of the debate. We need regular, public dialogue on these issues to ensure that the Christian approach to financial management is continually articulated.

The question of ethical investment goes to the heart of this debate because banks and financial

institutions have a vital role in our society. The current economic environment makes saving difficult if not impossible for great numbers of people, yet around 30 per cent of the population in the Republic report that they are regular savers.<sup>4</sup> Banks and financial institutions are conscious that there has been a serious breakdown in trust, and that much more remains to be done if that trust is to be restored. Churches need to encourage their members to highlight the importance of ethical considerations in their dealings with financial institutions. But churches must also lead by example in their own approach to financial management.

## Notes

1. 'Church leaders unite to slam banks over Northern Ireland economy', *Belfast Telegraph*, Thursday, 17 June 2010.
2. The Church in Society Forum Report, 'Ethical Finance', is available on request (email: [info@irishchurches.org](mailto:info@irishchurches.org)). It will be available on the website of the Irish Council of Churches (<http://www.irishchurches.org>) from mid-2013.
3. The Inter-Church Meeting (ICM) is a forum where churches in Ireland meet together to explore, discuss and act on issues and concerns of mutual interest. It is comprised of the Roman Catholic Church and the member churches of the Irish Council of Churches (ICC); in all, fifteen churches on the island of Ireland are represented in ICM.
4. Nationwide (UK) Ireland Savings Index, *Report for December 2012*, issued 14 January 2013. ([http://www.esri.ie/\\_uuid/c0a5207d-b8b2-42ba-8d5e-e6d91ab0d420/Saving-Index-14012013.pdf](http://www.esri.ie/_uuid/c0a5207d-b8b2-42ba-8d5e-e6d91ab0d420/Saving-Index-14012013.pdf))

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# Restoring the Fabric of Irish Economic and Social Life: A Theological Reflection (Part One)

*Gerry O'Hanlon SJ*

## Introduction

Writing in the euphoric aftermath of the visits of Queen Elizabeth II and of President Barack Obama in May 2011, but in the context of the ongoing economic crisis, clinical psychologist, Maureen Gaffney, noted that people respond to big crises in two main ways – ‘by constructing redemption stories or contamination stories’, and said that ‘these stories significantly affect how people respond to the crisis’.<sup>1</sup>

Gaffney went on to observe that the difference between ‘redemption’ and ‘contamination’ narratives is not a matter of different ‘facts’. It is, rather, about a different interpretation of the facts, involving imagination and a certain motivation and force of will, as well as rational analysis. In redemption narratives, people recount how they were forced to re-examine the fundamental assumptions they had about themselves and others, to modify them, to learn from the crisis and to emerge transformed and better people.

There is a deep sense of something torn in the fabric of Irish life in these times. Equally, there is awareness that, in our globalised world, this torn fabric is but a tiny part of a much larger tapestry which is itself greatly disfigured and in need of repair.

In this time of anxiety, bewilderment, and sometimes, still, denial, there is a call to believers and theologians to join with others in the construction of a redemption narrative or myth which does not ignore ‘the facts’ but which can offer vision and hope, galvanising our society towards effective action.

This call comes at a time when believers themselves are in a weak position – all Christians, all religious believers, are confronted in Europe with an operative secularism which is suspicious of their contribution in the public square, while Roman Catholics in particular suffer from the enormous loss of credibility of their Church due to the scandalous reality of clerical child sexual abuse.<sup>2</sup>

It is clear from the redemption narrative at the heart of Christianity that weakness of this kind cannot be used as an excuse for inaction or for turning a deaf ear to the call of the ‘signs of the times’. But we do well to make our contribution with humility, respectful of the complexity of the issues and the expertise of others, in dialogue and conversation. And if, true to our identity, we need also at times to be prophetic, to challenge, can we learn to do so without pontificating on the one hand or remaining at the level of pious platitude on the other?

## The Irish Situation

We are all aware of at least the broad parameters of our situation in Ireland. The banking crisis of 2008, due in part to the global credit crunch and in part to our own property bubble, led first to a government guarantee of the major banks and then several recapitalisations amounting to over 60 billion euro. The accompanying economic recession, and a sovereign debt crisis due to the prohibitive rates of government borrowing on bond markets, led to the IMF/EU/ECB Programme of Financial Support or ‘bail-out’ in November 2010.

The impact of the economic recession and the austerity measures taken in response has been enormous. Over the past five years, GDP has declined by 14.5 per cent from its peak at the end of 2007. Between 2008 and 2011, disposable income per individual declined by 12 per cent.<sup>3</sup> The overall rate of unemployment has risen from around 4 per cent during the years of the boom to over 14 per cent.<sup>4</sup> Particularly worrying is the rise in unemployment that is long-term (this stood at just over 1 per cent in 2007 but is now over 8 per cent) and the rise in joblessness among those under twenty-five, for whom the unemployment rate is now over 30 per cent.

Alongside increased unemployment, there has been a significant rise in emigration: the Central Statistics Office has estimated that in the year ending April 2012, a total of 87,100 people emigrated, of whom 46,500 (53 per cent) were Irish nationals. During the previous twelve months, 80,600 people emigrated.<sup>5</sup>

A series of austerity budgets has resulted in incomes being hit by additional levies and charges and the imposition of severe cuts in spending in areas such as health, education and social services – with both short-term and foreseeable long-term negative consequences. Poverty has increased: by 2011, the ‘at risk of poverty’ rate was 16 per cent (up from 14.4 per cent in 2008); in the same period, ‘consistent poverty’ rose from 4.2 per cent to 6.9 per cent.<sup>6</sup> The Society of St Vincent de Paul has had a huge increase in the number of people seeking its assistance (for example, calls to its main regional offices have risen by more 80 per cent since 2009<sup>7</sup>); in some instances, these new requests for help are from people who were previously donors.

With the increase in unemployment, and the decline in take-home pay for many still in jobs, it became evident that there was an enormous amount of private debt that could not be sustained. The most striking indicator of this is the number of mortgages in arrears: in September 2009, there were 26,271 mortgages in respect of principal residences which were in arrears for 90 days or more; by December 2012, the number had increased by 259.5 per cent, reaching a total of 94,488 (representing 11.9 per cent of all such mortgages).<sup>8</sup>

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Behind the statistics reflecting how the recession, and the policy response to it, has impacted on employment and living standards is the reality of the hardship and suffering being experienced by so many individuals and families – the anxiety and even despair when income cannot match basic needs or debt repayments, the awful demoralisation which accompanies unemployment, in particular if it is long-term, and the heartbreak for families whose loved ones are forced into emigration since there is no prospect of making a decent living at home.

It would be different, more hopeful, if we could be reassured that the burden we shoulder now is fairly distributed and will lead to future stability. But, as we keep hearing, we are one of the world’s most ‘open’ economies and, as things are set up,

our future depends greatly on growth in the global economy. However, this is far from guaranteed – in its *World Economic Outlook* of October 2012, for example, the IMF acknowledged ‘new setbacks’ to economic recovery and pointed to the continuing high risk of financial instability. It predicted that growth in the global economy was likely to remain weak and that unemployment would remain high in many parts of the world. And it drew particular attention to the deepening of the crisis in the euro area, describing it as ‘the most obvious threat to the global outlook’, and pointing to its impact not just in peripheral countries but its spill-over effects in other countries in the EU.<sup>9</sup>

### *Uneasy Questions*

All kinds of uneasy questions lie behind the bleak description above. If we all turn to austerity, thrift and saving, how can we create growth in our economies? And how can so many countries rely on growth from exports if domestic demand in many countries is so weak?<sup>10</sup> But, anyway, given that our growth in the recent past was consumption-led and debt-fuelled, is growth really any kind of sustainable answer, particularly when we consider global environmental limits?

Furthermore, is it not the case that most of the developed world faces an enormous overhang of accumulated government and private-sector debt, much of which is un-repayable, so that the real question is how much gets written off and who picks up the tab?<sup>11</sup> Are we not, particularly in the developed world, living beyond our means? And, given that our economies are so inter-linked, is there not a need for more effective global governance in order to ensure a coordinated response to the crisis?

It is easy to see that there is an underlying moral dimension to many of these questions which also, of course, involve extremely complex and important technical issues. For example, it would be reckless and irresponsible to return to an old model of growth if that were to result in the destruction of our planet; it would be grossly unfair if the burden of repaying debts was laid on the shoulders of those who did least to incur them.

A redemption narrative will have to draw on values and principles such as fairness and the common good, while respecting the difficult technical issues involved. A Christian narrative will, in addition, draw on that basic notion of loving one’s neighbour as oneself in a way which respects, while engaging

critically with, conversation partners coming from a secular background or from that of another faith. It will seek to understand where God is in all this, what God is saying.

In the remainder of this article, I will look at some questions arising in relation to the economic model adopted over recent decades, and in later articles I will consider the social, cultural, political and theological resources we can draw on as we attempt to find solutions to our difficulties.

### **The Economic Model**

It is perhaps an endemic temptation for theologians who dabble in economic matters to bring a moralistic lens to bear that favours equality and the vulnerable and is somewhat jaundiced towards business, profit and entrepreneurship. I don't believe that there need be a conflict between these aspects: there is just profit, entrepreneurship is part of a good, natural, human proclivity and, together with sustainable growth, they are necessary for the protection of the vulnerable and compatible with the eradication of egregious inequalities. But I do believe that there are at least three key questions which a theologian may and ought to put to the current dominant economic model as part of that re-examination of fundamental assumptions which Maureen Gaffney alludes to in her observations about 'redemption narratives'. These questions relate to the role of the market; the importance of equality and fairness; and the assumption that economic growth is 'good'.

### **The Role of Markets**

The first question concerns the role of markets and in particular financial markets. In a very interesting piece in the journal, *Studies*, Bernadette Andreosso-O'Callaghan distinguishes between the 'real sphere' of the economy and the 'financial sphere'.<sup>12</sup> Corresponding to this distinction, an economy is, she suggests, characterised by two types of markets: the markets for goods and services (the real sphere) and the financial markets. In the former, the interaction between buyers and sellers establishes the price of the good or service. The latter consists of a nexus of interactions between institutions such as banks, insurance companies, hedge and mutual funds and may be involved in financial intermediation or in the exchange of financial instruments (such as stocks, foreign exchange, bonds, futures, swaps, and so on).

In the past, the prime function of the financial market, and in particular of banks, was to create a

bridge between savers (households) and investors (firms) and so to assist business corporations (and more marginally households) to fulfil their investment plans and to create jobs – in other words, to act in service of the 'real economy'.

In more recent decades and years, with the flowering of deregulated 'neo-liberal' or 'financial' capitalism from the late 1970s on, and the progressive dismantling of regulatory structures, banks were allowed to become involved in widening range of activities of an increasingly speculative nature.



*Banking or gambling?*

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As a result, there has taken place a financialisation of the economy in ways which are arguably beyond any real usefulness in supplying added liquidity and which serve few real economic or social needs beyond profiting financial institutions and individual traders. So, for example, far from investing in order to create economic and social capital in accord with some notion of the common good which would imply a 'win-win' situation, markets often engage in a predatory kind of profit opportunism, targeting areas of weakness at any particular time (including primary commodities and food products<sup>13</sup>).

Will Hutton writes: 'Bankers ... created a gambling culture in which the moral borders between legitimate trading activity, recklessness and criminal activity became ever more fuzzy – and the disproportionate personal rewards disconnected from any economic and social reality'.<sup>14</sup> This, he argues, is a new business model whose aim is 'to make money from money – recalibrating high risk as low risk, riddled with conflicts of interest, and playing cat and mouse with regulators and governments to avoid their close scrutiny'.<sup>15</sup>

The scale of the financialisation of the global

economy is breathtaking. Hutton estimates that 'by the summer of 2008, \$800 trillion of financial derivatives were being traded globally – more than 12 times the world's GDP. Financial assets had risen from 80% of the world's GDP in 1980 to 300% in 2008'.<sup>16</sup>

All this was occurring in a context where 'less and less capital was being deployed to support the staggering size of the banks' balance sheets'.<sup>17</sup> Hutton suggests that the bankers seemed to think that they '... had created a new alchemy – the lead of poorly rated bonds and assets was turned into the gold of 'Triple A' ratings'.<sup>18</sup> His summary judgement is succinct: 'The financial sector grew ever larger in relation to GDP without serving any useful economic or social purpose whatsoever. And it was a one-way bet: the bankers knew that they would never be allowed to go bust'.<sup>19</sup>

Another commentator, Catherine Cowley, judges that by the 1990s only about 5 per cent of derivatives (of which securities are but one example) were being used for productive purposes, whereas 'the rest were used for speculation or for other purposes within financial markets'.<sup>20</sup> Arguing that 'derivatives frequently do not create wealth', Cowley says: 'Wealth is certainly re-distributed, but to go ... to the comparison with horse racing: if I bet Arthur's Ransom is going to win the 2.30 and you bet that it won't, one of us is going to be wrong. Whoever is right will be wealthier, but the other will be poorer. Wealth has not been created, merely moved around'.<sup>21</sup>

One recalls the legendary investor Warren Buffett's famous remark in 2003 that derivatives were 'financial weapons of mass destruction' and the argument of George Soros that the Credit Default Swap (CDS) in particular should not be allowed at all: 'The more I've heard about them, the more I've realized they're truly toxic. People buy a CDS not because they expect an eventual default but because they expect them to appreciate in response to adverse developments ... It's like buying life insurance on someone else's life and owning a license to kill'.<sup>22</sup>

Distinguished *Financial Times* journalist, Wolfgang Munchau, speaks in a similar vein: 'A naked CDS purchase means that you take out insurance on bonds without actually owning them. It is a purely speculative gamble. There is not any social or economic benefit. Even hardened speculators agree on this point ... the case for banning them is about

as strong as that for banning bank robberies'.<sup>23</sup>

Andreosso-O'Callaghan, then, is arguing that because financial markets tend to be of this speculative nature 'they have become increasingly disconnected from the real sphere'<sup>24</sup> and so only very loosely serve the needs of firms. In particular, operating according to the 'efficient market' hypothesis and rigorous mathematical models – which assume that markets operate best when they are most free from regulation and that agents act with full understanding and rationality – they have ended up with enormously complex financial instruments which remain opaque even to 'insiders'.<sup>25</sup>

#### *Irrationality of the market*

Andreosso-O'Callaghan also draws attention to the lack of transparent information in financial markets and the lack of any assurance that assessment of risk and of a financial price is solidly founded. Furthermore, she suggests, trading decisions are made as much according to emotional and hormonal reactions as rational choice.<sup>26</sup>

Will Hutton makes a similar point, noting that 'financial market participants display enthusiasm and panic and they move in herds'.<sup>27</sup> Likewise, Catherine Cowley speaks of the 'illusions of power and the anxiety, competitiveness and insecurity' which typically characterise market activity. These features are reinforced by the way that jobs and remuneration packages are organised – particularly where the basis for calculating bonuses is 'you eat what you kill'; that is to say, remuneration is calculated according to fees generated or profits made. In this context, emotions can easily affect judgement as traders show willingness to make 'perhaps unjustifiably risky investments, to cut corners, to do what has become known as 'gambling for resurrection'.<sup>28</sup> 'Market sentiment', it follows, does not by any means always coincide with the 'fundamentals' of an economy.

Not alone, then, do financial markets as constituted at present serve little useful purpose, they may also lead to great harm.<sup>29</sup> Their irrational and short-term, speculative, ethos leads to the kind of market volatility that we are so well aware of, often resulting in gains and losses of a disproportionate scale on scant rational evidence. Given that too little of the profits made in these markets are invested in the real economy, that the losses may be socialised, and that the expectation of high and short-term returns then puts pressure on the

real economy in terms of higher profits, cost cutting, and lower wages, it is clear that an overly-financialised economy is a risk to the real economy.

Angus Sibley is scathing in his assessment: ‘... most of the world has become, to varying degrees, infected with the virus of market short-termism. Part-ownership of our major business concerns is now shuttled at lightening speed between investment funds, which may well be unregulated organisations hidden in remote islands. It makes Frankenstein’s monster look very tame’.<sup>30</sup>

#### *Ireland’s position*

Andreosso-O’Callaghan points out that in 2009 Ireland represented 5.3 per cent of all EU wholesale financial activity in the EU-27, a disproportionately large share, and a ‘sign of a profound disconnection between domestic financial intermediation and the needs of a (shrinking) real economy’.<sup>31</sup> She argues that much of the wealth in Ireland during the years preceding the crash was ‘extracted through trading activities on the property and financial markets ... it looked as if the Irish economy had become increasingly an economy of rent seekers as opposed to an economy of generators of wealth through work, intellectual talent and physical effort’.<sup>32</sup>

We in Ireland therefore need not only to ask questions about the operations of our financial services sector, but become more active participants in the debate about the global economy and the sustainability of a financial market model that is excessively speculative in nature, often aggressively so.

This is not to say that financial markets are always wrong or do not also at times point to real problems in national and regional economies. But, too often, serious attempts in Ireland, and elsewhere, to make the real economy sustainable are undermined by the, at best, amoral logic and whims of financial markets lacking solid foundation in a sense of values and vision of the good life.

In this context, I note some of Andreosso-O’Callaghan’s recommendations for reform, including more robust EU regulation; legislation at EU and international level to provide for the separation of commercial and investment banks ‘so as to protect depositors and to guarantee a regular flow of investment to firms’; the setting of limits to speculation on certain commodities (including food and energy); and the regulation and supervision of the financial rating agencies.<sup>33</sup> Like many other

commentators,<sup>34</sup> Andreosso-O’Callaghan advocates a tax on short-term financial transactions.

It is clear that proposals for reform will encounter stout resistance from the financial sector – a sector that seems incapable of breaking out from its commonsense culture of entitlement, which most outsiders see as a nonsense. The financial industry’s vigorous opposition to the proposed European Financial Transaction Tax (EU FTT) is but one indication of the resistance to change. Only eleven of the twenty-seven EU Member States have stated their willingness to implement the proposed new tax. Ireland is not among them, taking the position that this country will not sign up unless the UK (which is strongly opposed) does so.<sup>35</sup>

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### *The doctrine of ‘there is no alternative to the market’ lives on...*

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It is worrying that so much of the current debate takes place within conventional assumptions about the normativity of markets as constituted at present. Are we building on sand? Does this kind of ‘financial engineering’ have any secure foundations? In Ireland, do we look forward to returning to the international financial markets – to ‘business as usual’?

Andreosso-O’Callaghan’s analysis – shared by many others<sup>36</sup> – is sobering. Her argument, in summary, is that the first global crisis of the third millennium finds its roots in the ‘financialisation’ of the Western economies, characterised by the rise of institutional investors on financial markets, by the worldwide liberalisation of capital markets, by an increasing disconnection between the financial economy and the real economy and, in the case of Ireland, by an over-sized financial sector. Governments all over the world have increasingly become subordinate to the vagaries of the financial markets. Will Hutton succinctly expresses the difficulty of finding ways to reverse this dominance: ‘The doctrine of ‘there is no alternative to the market’ lives on ...’<sup>37</sup> Who in Ireland is challenging this state of affairs at European and global level?

#### ***Equality and Fairness***

The economic crisis has led to increased attention being focused on the growth in inequality in



incomes and wealth which occurred in many developed, and developing, countries over recent decades – and the role which this inequality, and in particular the increasing share being captured by the wealthiest, played in bringing about the crisis.

Comparative data show that in terms of income distribution Ireland is among the more unequal Member States of the European Union<sup>38</sup> and of the OECD<sup>39</sup> and that prior to the economic downturn Ireland was among the OECD countries which had experienced a rise in the share of total gross income going to the top income-earners.<sup>40</sup>

In this context, the remarks of Dr Joachim Fischer (a German university lecturer who has lived over half his life in Ireland) are interesting: ‘...the privileges of a relatively small elite are all too obvious: medical consultants, the legal profession, top civil servants, the top echelons of Irish universities, politicians and others have helped themselves to extraordinary salaries, often twice what they would be in Germany and hardly justified by the only slightly higher cost of living here’.<sup>41</sup>

Given the role of the financial sector in creating the crisis, the continuation of a ‘culture of entitlement’ within which those working in the sector expect enormous rewards, and resist all efforts to rein them in, is breathtaking. One might imagine, given the colossal failures in this sector and the consequent suffering for the rest of society, that there might be more modest expectations from people whose jobs now depend on massive tax-payer subvention. The blunt words of Niall Fitzgerald, former CEO of Unilever, are apt: ‘There’s too much of ‘we can’t do this because our competitors will grab our best people away’. Fine, let them grab them away. You mean those terribly valuable people who either didn’t understand the risks they were running, or understood them and continued anyway without thought for the consequences? You know what? I could so without those valuable people’.<sup>42</sup>

To change this culture of entitlement would involve challenging market assumptions and an objective analysis of the difficulty, value and usefulness of particular jobs (is there anything intrinsically more difficult or valuable about running a bank in comparison with designing and building a bridge, engaging in medical research, risking one’s life as a fire-fighter?) – as well as taking account of the ‘achievements’ of senior bank executives in the recent past.

The market is too easily impressed by what Lonergan would call a ‘naïve realism’ – an empirical positivism that equates proximity to the management of money with entitlement to enormous reward. How much intelligence does one need to take money ‘from government (and others) and lend it out at vast profit, almost risk free’?<sup>43</sup> Will Hutton notes the incongruities and moral vacuity in all this, observing that ‘bankers themselves cannot explain why they should be so generously rewarded’, yet have put forward the argument that no individual bank can break the cycle ‘because they all had to pay the going rate to retain their ‘talent’’.<sup>44</sup>

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*Ireland is among the more  
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Of course, as indicated above, it is not only bankers whose earnings and wealth deserve scrutiny. Apart from the professional elites already mentioned, at the height of the boom, in 2007, the average remuneration packages granted to the top twenty chief executives of Irish public companies were thirty-five times higher than the annual income of the average employee.<sup>45</sup> The situation in the UK and USA is, if anything, worse.<sup>46</sup> It is not surprising that in a survey carried out in 2010 for TASC, 87 per cent of people said that wealth is distributed ‘not very’ or ‘not at all’ fairly in Ireland, while 91 per cent agreed that the Government should take active steps to reduce the gap between high and low earners.<sup>47</sup>

It is in this context that the rhetoric of solidarity (‘we are all in this together’; ‘we must all make sacrifices’) rings hollow and that concerns about bonuses and pay packages assume particular symbolic significance, way beyond the economic trade-off from lower remuneration.

It is not at all a ‘given’ that the introduction of a maximum wage, or of a rule that the highest-paid workers in any public or private enterprise would be paid at a fixed multiple of, say, five times the earnings of the lowest paid, at least for an emergency period of three years or so, would solve our economic woes.<sup>48</sup> But in a situation where the austerity and cut-backs introduced to address our



problems are disproportionately affecting those who are poor or otherwise vulnerable in our society, then there is a particularly sharp need to tackle inequality, so as to cultivate a solidarity that is more than rhetorical and is required by the gravity of our situation.<sup>49</sup>

Without this solidarity, there is the ever-present danger of significant social unrest, not to mention the lack of the kind of social cohesion that can generate the vision, policy and energy needed for a sustainable recovery. In this context, it is not surprising to note resistance on the streets in Greece, the wider ‘indignant’ movement in other parts of Europe, and the Occupy Movement, with its slogan ‘We are the 99%’, reflecting its opposition to the world-wide trend towards increased concentration of income and wealth among the top 1 per cent.



*Occupy slogan: 'We are the 99%'*

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A sense of solidarity would also be enhanced by stronger evidence of a new culture of accountability within Irish business and public life, in particular with respect to the speedy prosecution of white-collar crime, and an end to that culture of impunity which is so ingrained.<sup>50</sup>

This latter suggestion is a particularly sharp illustration of the tension that runs through any analysis of the Irish or global crisis: how does one combine a sense of fairness and values with what ‘works’? How, in Ireland, do we avoid slipping back into ‘business as usual’ mode and instead plan for an economy with greater equality and access to quality public goods such as education, health, housing, social services, a humane penal system?

### ***A Question of ‘Growth’***

A third question of a fundamental nature concerns the inherent assumption by most economists – shared then by politicians and a majority of ordinary citizens – that constant growth is ‘good’

and its lack is ‘bad’.<sup>51</sup> Given the probable status of our knowledge about the effects of climate change and peak oil, not to mention our awareness of the great injustice of national, regional and global inequalities, it is surely wise to look again at this simplistic notion of ‘growth is good’.<sup>52</sup>

Capitalism in its most primitive form always comes up against an inherent contradiction of a philosophical–anthropological nature: it promises happiness to the person who goes out and buys and ‘consumes’ particular goods and services, but then depends for its flourishing on persuading the same person that what they really need is something else, something more. There is kind of a diabolical ‘magis’ (‘more’) at work here, in contrast to the Ignatian and Christian magis focussed on the question: ‘What more can I do for God?’.

We need, at the very least, to create more rounded measurements of what might constitute ‘good’ economic growth, a measurement that in Ireland and other developed countries would pay less attention to material affluence (still a major issue in developing countries) and more to social and cultural matters such as health, education, housing, arts and leisure.

In this context, I note the practical proposal of Eddie Molloy that each year on budget day the Minister of Finance would adopt a ‘balanced scorecard’ approach by reporting not just on our public finances but – following the truism that ‘what gets measured gets done’ – also on our wealth-creation capacity, the quality of our infrastructure (including education, health, environmental factors and so on), social justice and quality of life, and ethical, competent, accountable government and public service.<sup>53</sup>

We may even need to think instead of something like ‘the richness of sufficiency’ in terms of our vision and goals, to aim for the satisfaction of basic needs and modest wants, and come up with appropriate economic policies to attain these goals. So, for example, the New Economics Foundation in the UK advocates consideration of a shorter working week and the sharing of jobs in order to achieve a more integrated working life, in a context where growth (as measured by simple GDP) will fall, but where one might hope for a more humane life in which work, care and leisure are better balanced and more in tune with care for our environment).<sup>54</sup>

## Concluding Comments

We are engaged in the search for elements of a redemptive narrative for our crisis. We have indicated some of the fundamental assumptions that need to be re-examined as part of this new narrative, including the excessive financialisation of economies, the fixation with growth, and the lack of fairness and other values endemic in the current model, both nationally and globally.

Again and again we came up against the need to marry technical, economic approaches and solutions with some wider grasp of values and what constitutes the good life. Left to itself – as it largely has been in the recent decades – economics is indeed a ‘dismal science’, and we need to learn from the ongoing implosion of the neo-liberal model of capitalism, with its harsh outcomes for so many.

We have an opportunity, arising out of this crisis, to imagine and move towards a more sustainable economic model and world. This will not be easy – the temptation will be to try to return to ‘business as usual’, and resistance to change is strong, in particular among elites which stand to lose most from a re-balancing of the *status quo*. What resources do we have to bring about the required change? Reflections on this question will form the next article in this series.

## Notes

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3. Central Statistics Office, *Survey on Income and Living Conditions (SILC) 2011 and revised 2010 results*, Dublin: CSO, 13 February 2013. ([http://www.cso.ie/en/media/csoie/releasespublications/documents/silc/2011/silc\\_2011.pdf](http://www.cso.ie/en/media/csoie/releasespublications/documents/silc/2011/silc_2011.pdf))
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8. Central Bank of Ireland, *Residential Mortgage Arrears and Repossessions Statistics: Q4 2012*, Information Release, 7 March 2013. (<http://www.centralbank.ie/press-area/press-releases/Pages/>)
9. International Monetary Fund, *World Economic Outlook*,

October 2012: *Coping with High Debt and Sluggish Growth*, Washington DC: IMF, 2012.

10. Paul Krugman, speaking from a United States perspective, puts it succinctly: ‘It’s true that we’d have more jobs if we exported more and imported less. But the same is true of Europe and Japan, which also have depressed economies. And we can’t all export more while importing less, unless we find another planet to sell to.’ See Paul Krugman, ‘The competition myth’, *The New York Times*, Monday, 24 January 2011.
11. Laurence Knight, ‘Europe’s four big dilemmas’, BBC News website, 18 September 2011; Charlie Fell, ‘Debt mountain casts long shadow over growth’, *The Irish Times*, Friday, 30 September 2011.
12. Bernadette Andreosso-O’Callaghan, ‘Markets, Bondholders and other Economic Agents’, *Studies*, Vol. 100, No. 396, Summer 2011, pp. 223–242.
13. A particularly shocking example of this kind of predatory behaviour is described by financial journalist Aditya Chakraborty who draws attention to an UNCTAD report (published in June 2011) estimating how much commodity index investors had artificially pushed up food prices. In a world blighted by starvation in parts of Africa, Asia and elsewhere, it is nothing short of obscene that the buying and selling of contracts for food has gone way beyond the useful function of balancing supply and demand and instead has degenerated into speculative betting in pursuit of quick profits. Chakraborty quotes Joerg Mayer of UNCTAD: ‘Food markets have been turned into a casino. And for no other reason than to make Wall Street money’. (Aditya Chakraborty, ‘Bankers and politicians have turned food into a betting game’, *The Guardian*, Tuesday, 7 June 2011.)
14. Will Hutton, *Them and Us: Changing Britain – Why We Need a Fair Society*, London: Little, Brown, 2010, p. 7.
15. *op. cit.*, p. 137.
16. *op. cit.*, p. 150.
17. *op. cit.*, p. 151.
18. *op. cit.*, p. 151.
19. *op. cit.*, p. 180.
20. Catherine Cowley, ‘How Financial Institutions Dug the Hole We’re In’, in Philip Booth (ed.), *Christian Perspectives on the Financial Crash*, London: St Pauls Publishing, 2010, p. 35. Cowley defines a derivative as a ‘financial contract the value of which is based on (derives from) something else, for example a stock or a barrel of oil or ... loans’ (p. 32).
21. *Ibid.*, pp. 42–43.
22. Andrew Ross Sorkin, *The New York Times*, Saturday, 13 June, 2009.
23. *The Financial Times*, Tuesday, 28 February 2010.
24. Bernadette Andreosso-O’Callaghan, ‘Markets, Bondholders and other Economic Agents’, *op. cit.*, p. 225.
25. Philip Booth, ‘Differing Views on the Causes of the Crash’, in Philip Booth (ed.), *Christian Perspectives on the Financial Crash*, *op. cit.*, pp. 22–23.
26. Bernadette Andreosso-O’Callaghan, *op. cit.*, p. 230.
27. Will Hutton, *op. cit.*, p. 193.
28. Catherine Cowley, *op. cit.*, p. 35.
29. For a particularly trenchant statement of the baleful effects of markets, see Angus Sibley, ‘Frankenstein’s Market’, *Doctrine and Life*, Vol. 60, No 7, September 2010, pp. 31–38.
30. *Ibid.*, pp. 34–35.
31. Bernadette Andreosso-O’Callaghan, *op. cit.*, p. 226.
32. *Ibid.*, p. 235. For some pertinent comments on the effects of Credit Default Swap (CDS) dealing and short-selling on Irish government bond price volatility, and the wider need for more transparency in financial markets, see Sheila Killian, John Garvey and Frances Shaw, *An Audit of Irish Debt*, Limerick: University of Limerick, September 2011, especially Chapters 7 and 8.
33. Bernadette Andreosso-O’Callaghan, *op. cit.*, p. 236.

34. Will Hutton, for example, in arguing that the growth of the financial system 'needs to be arrested' says: 'a solution would be a tax on financial transactions, which is justified because so many of them serve no useful economic purpose' (Will Hutton, *op. cit.*, p. 209).
35. In a joint letter to *The Irish Times*, on 30 January 2013, the Directors of Trócaire, the Jesuit Centre for Faith and Justice, and Social Justice Ireland expressed disappointment at the decision of the Irish Government to opt out of the proposed European Financial Transaction Tax.
36. See, for example, Ian Linden, *A New Map of the World*, London: Darton, Longman and Todd, 2003 (in particular, Chapter 5 and 8). Linden refers to 'stock markets increasingly determining economic stability and growth' (p. 56) and to the 'casino quality of most financial flows' (p. 57) in the context of the 'growing fragility of the international economic architecture' (p. 60), so that we have a story of the 'Prometheus unbound of finance capital and flows' (p. 76). He advocates in response a political economy of the common good, faithful to the 'refusal of Aquinas to locate self-interest in opposition to the common good' (p. 151).
37. Will Hutton, *op. cit.*, p. 391.
38. Kaja Bonesmo Fredriksen, *Income Inequality in the European Union*, Paris: OECD Publishing, 2012 (OECD Economics Department Working Papers, No. 952, ECO/WKP(2012)29).
39. OECD, *Growing Unequal?: Income Distribution and Poverty in OECD Countries*, Paris: OECD, 2008 and OECD, *Divided We Stand: Why Inequality Keeps Rising*, Paris: OECD, 2011.
40. OECD, *Divided We Stand: Why Inequality Keeps Rising*, *op. cit.*, p. 38.
41. Joachim Fischer, 'The Irish Crisis through German Eyes', *Studies*, Vol. 100, No. 398, Summer 2011, p. 210.
42. In interview with Fintan O'Toole, *The Irish Times*, Saturday, 6 March, 2010.
43. *The Tablet*, 16 January 2010, p. 2.
44. Will Hutton, *op. cit.*, p. 173.
45. See Fintan O'Toole, *Enough is Enough: How to Build a New Republic*, London: Faber and Faber, 2010, p. 196; see also Part Two, Chapter 4, 'Beyond the Ultimatum Game: The Decency of Equality', pp. 192–213.
46. 'Thus base pay of CEOs in the FTSE has risen from 47 times an average worker's salary in 2000 to 81 times now ...', while the ratio in the US rises to 300 times – Will Hutton, *op. cit.*, p 3; p. 67.
47. TASC, *The Solidarity Factor: Public Responses to Economic Inequality in Ireland*, Dublin, August 2010 ([www.tascnet.ie](http://www.tascnet.ie)).
48. Fintan O'Toole, *op. cit.*, 2010, p. 205.
49. As is well known, the debate concerning the social effects of income inequality was reignited by the evidence and arguments put forward by Richard Wilkinson and Kate Pickett in *The Spirit Level: Why More Equal Societies Almost Always Do Better* (London: Allen Lane, 2009). Karen Rowlingson has examined the points made in various critiques since the publication of this work, alongside the evidence and debate in the broader peer-reviewed literature, and concludes that: 'This is a highly complex area both theoretically and methodologically and there is still some disagreement among academics on many related issues, but the main conclusion here is that there is some evidence that income inequality has negative effects. There is hardly any evidence that it has positive effects'. See Karen Rowlingson, *Does Income Inequality Cause Health and Social Problems?*, York: Joseph Rowntree Foundation, September 2011, p. 6 ([www.jrf.org.uk](http://www.jrf.org.uk)).
50. Fintan O'Toole, *Enough is Enough: How to Build a New Republic*, *op. cit.*, Part Two, Chapter 5: 'Ethical Austerity: The Decency of Citizenship', pp. 214–237. See also: Fintan O'Toole, *The Irish Times*, Saturday, 26 March 2011 (re findings of Moriarty Tribunal) and 6 August 2011; Eddie Molloy, *The Irish Times*, Saturday, 9 October 2010; Joe McGrath, *The Irish Times*, Tuesday, 21 December 2010 (on corporate crime).
51. Gerry O'Hanlon SJ, 'A New Economic Paradigm?', *Working Notes*, Issue 63, 2010, pp. 3–10; Frank Turner SJ, 'The Crisis and Poverty: Reflections on the Global Economic and Financial Crisis', *Sozialalmanach: 'L'annuaire Caritas sur la situation sociale du Luxembourg'*, Luxembourg: Caritas Luxembourg, 2010, pp. 275–285.
52. Richard Douthwaite, 'Introduction: Where We Went Wrong', in Richard Douthwaite and Gillian Fallon (eds.), *Fleeing Vesuvius, Overcoming the Risks of Economic and Environmental Collapse*, Dublin: Feasta, 2010, pp. 1–10; 'Healing a Broken World', Report of Task Force on Jesuit Mission and Ecology, *Promotio Justitiae*, No. 106, 2011/2 (<http://www.sjweb.info/documents/sjs/pjnew/PJ106ENG.pdf>). One wonders, in this context, if environmental constraints will not inevitably lead to a certain 'de-globalisation' effect and to a reconsideration of the notion of global free trade and the mandate of an organisation such as the World Trade Organization?
53. Eddie Molloy, *The Irish Times*, Saturday, 5 March 2011.
54. Gerry O'Hanlon SJ, 'A New Economic Paradigm? In the Concrete – Towards a New Model', *Working Notes*, Issue 64, 2010, pp. 3–9. For a recent attempt by an economist (with links to the New Economics Foundation) to outline a more radical approach to our crisis, see David Boyle, 'New Deal for a Better World', *The Tablet*, 15 October 2011, pp. 4–5.

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