MYTH BUSTERS

MYTH - The Stability Treaty copper fastens/deepens austerity.

The Treaty does not copperfasten austerity. It is about good housekeeping - we have to reduce our debt down to safe levels. The adjustments would be necessary, with or without international obligations. It’s in everyone’s interest that we close the deficit and we have to reduce our debt to more manageable levels. This will allow us to spend more of our money on schools and hospitals, rather than servicing debt.

People argue that ‘austerity isn’t working’, as if austerity was our policy for economic growth. It isn’t.

But fiscal discipline is a necessary pre-condition for stability, and stability is a necessary pre-condition for a return to economic growth.

Some are claiming a No vote will somehow magically put a stop to austerity. They insinuate that voters have a choice between MORE austerity or NONE. This is a false debate. If we fail to act, we will spend more and more servicing the debt, leaving less to spend on education, health, social welfare and other vital areas.

- The Treaty does NOT tell governments what cuts or taxes to make
- Political choice is still possible—governments decide how to reach targets.
- Troika deal comes first until 2014, then 3 years grace period before the rules apply in 2017/18.
- Even when targets apply we have time to meet them and growth will help
- If there is a crisis in future, the targets can be side-lined.
- Austerity is a last resort for Labour. It is NOT our default setting.
- Our preference is sustainable, fair growth, but we are in last resort territory until 2013
- That’s why we are eager to pass the Treaty to deal with one part of the problem and move onto the bigger picture – jobs and growth. It is not either Treaty or growth.
- Debate is shifting in Europe onto growth.
- We welcome that move and are actively pushing for it at IMF and EU level.

MYTH - “There is a Blackmail Clause - we're being bullied”

- There is no blackmail involved, just terms and conditions for taxpayers’ money.
- We are not being bullied – we are free to choose but in any choice we have to weigh up the potential consequences. This is not scaremongering.
- Terms and conditions always apply to loans – so no blackmail.
- Easy access to a permanent fund is way better than ‘maybe’, uncertain access to a temporary fund.
- If we are back on markets without back-up, interest rates will be higher.
• Standard & Poors have stated our credit rating may be affected
• The No side alternative EFSF involves entering a programme

**MYTH - “We can use our veto”**

• Legal advice in Ireland and abroad is that a veto will not block the ESM going ahead. The Referendum Commission stated the time for veto had passed.
• ESM will go ahead with 90% contributions. Ireland only represents 1.6%.
• The Stability Treaty will go ahead if 12 States ratify it.
• If we block a change to Article 136 to give a legal basis to the ESM, they can use another article.
• This Treaty is outside the normal arrangements – 2 States are not signed up.
• So a No vote will not give us the kind of power the No side claim.
• Blocking the nuts and bolts legislation will prolong crisis temporarily, but prevent our access to funds permanently.

**MYTH - “Consequences of voting No are better”**

• Wrong. It is all guess work, maybes, ifs, probably….
• Uncertainty is last thing we need – it’s too risky at this point.
• Standard & Poors said our credit rating could be affected at least short-term.
• Where’s the gain from a No? We still have Troika deal until the end of 2013.
• ‘No’ means we don’t have access to permanent funds but have to follow rules
• When we go back onto the markets we have weak credit worthiness.
• No side don’t seem to want any rules, but a currency needs rules to work

**MYTH: The Treaty “outlaws state investment to create jobs”**

Not true. Investment is one of the strong reasons why people should vote for this Treaty

• Investment from the private sector is far more likely if the EU has a permanent emergency fund to provide assurance to investors that a crisis in one country will not spread to another (firewall) and the stability of the specific country in which they invest is retained (insurance/safety net).
• Public/State investment is more likely if Ireland can get cheaper funding from the markets. Key to getting that cheaper funding is stability and access to a permanent fund – a safety net, should another crisis hit.
• European Investment Funding still exists, as does European Social Funding. Recent statements from the President of the ECB, Draghi is that there may be more investment possible through the European Investment mechanisms.
• Growth and surplus are the long-term aims of the Treaty. Nothing in the Treaty tells a State what to do with a surplus or how to reach the targets.
• Investment is higher in Nordic countries, all of which – Finland, Sweden, Norway – have fiscal rules so stability and growth go hand in hand.
• There is not a single sentence in the Treaty that outlaws State investment
• Reckless borrowing stores up debt that is crippling. That is discouraged.

**MYTH: It puts right wing economic dogmas into the Constitution and outlaws socialist alternatives.**

Socialists rely on the capitalist markets for the funding they want used on public goods and services. But social goods and services, like education, health, welfare, and social goals, like equality, justice and fairness are not prevented by this Treaty and economic dogmas are not put directly into the Constitution.

• ‘Left wing’ people do not have a problem with sensible budgeting per se (see Socialist parties throughout Europe & opposition statements here)
• They understand that it is unwise to over-rely on borrowing or allow a massive gap to emerge between income and spending.
• It is up to a government, left or right, to decide, therefore, what number of cuts to taxes they make or what kind of growth they stimulate
• This is politics as ever – a constant struggle between left and right
• Governments, voted for by the people, will decide what choices they make in relation to taxation, economic policy, distribution of wealth etc.
• The Treaty does not change this.
• The rules do not appear directly in the Constitution. Rather there is a link from the Constitution to national law.
• Other social references appear in our Constitution – showing it is a holistic document – like references to family, rights, sovereignty of the people etc