



# University of Limerick

## Department of Sociology Working Paper Series

*Working Paper WP2013-02*  
*April 2013*

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***The Madoffization of Irish Society: Interrogating the Current 'Global Financial Crisis'***

# **The Madoffization of Irish Society: Interrogating the Current ‘Global Financial Crisis’**

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## **Abstract**

While the human consequences of Ireland’s economic crash have been well documented and scrutinised, the systemic deceptions underpinning the so-called Celtic Tiger have received far less attention. The boom years were characterised by speculation, with government policy ever more attendant to the interests of property developers and lenders, leading to an increasingly unstable financial pyramid that eventually imploded. Though the crash demonstrated that much of the wealth creation was actually debt creation, this did nothing to mitigate the pervasive influence of finance capital over broader institutions. On the contrary, the dominance of finance capital, its capacity to preserve fictitious claims on wealth, to burden others with private debt, was demonstrated in full. We critique the ponzi character of Ireland’s property bubble, banking crisis and subsequent ‘solutions’. In doing so we draw attention to civil and state institutions that contributed to, or facilitated, the illusions of sustainable growth alongside observed efforts to maintain secrecy and silence, obfuscations, and ultimately the post-crash closing of ranks and scapegoating of myriad targets. We call this the Madoffization of Irish society, since the core enabling elements of this process were paralleled in Bernie Madoff’s \$65bn scam that was exposed in 2008 as the US financial crisis went global.

Keywords: Madoffization; Ireland; debt; crisis; neoliberalism; finance capital; Bernie Madoff.

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## Introduction

As the ‘global financial crisis’ (GFC) continues to exert its effects, many people in Western nations are facing an increasingly precarious future. This is the consequence of the toxic fallout following the US subprime debacle in 2007/8, of the near collapse of the world’s interconnected banking system and governments’ socialisation of private speculative losses amassed throughout the finance, insurance and real estate (FIRE) sector. In this context, ideological fictions, which serve dominant class interests, are continually recycled as if they were irrefutable facts. Claims such as ‘too big to fail’, ‘nobody saw this coming’, ‘there is no alternative to austerity’ and ‘we are where we are’ are reiterated ad nauseum (McCullagh, 2011). Under such conditions – what Klein (2007) terms ‘disaster capitalism’ – political elites and other representatives of (finance) capital are also telling publics that ‘we are in this together’ and ‘sacrifices’ are required in order to satisfy the markets, ensure economic stability and recovery. Yet, there are few signs of recovery. Furthermore, as the spectre of a deepening crisis haunts Europe and Western capitalism, social inequalities and inequities continue to increase, financial institutions and sovereign nations continue to be downgraded and social unrest is escalating. Precariousness, long experienced by those lower down the social hierarchy, is becoming ubiquitous in this so-called age of austerity, characterised by expansive indebtedness, crisis and uncertainty.

Ireland fits all too (un)comfortably into this narrative of disaster and expropriation (Allen, 2009), with the government in 2008 putting up ‘the entire Irish State as collateral for the crushing liabilities of six private banks ... approximately €400 billion in leveraged loans’ (McCabe, 2011a: 169). As we will elaborate, Ireland is a worthy case study for sociologists seeking to interrogate the causes and consequences of the current GFC (itself a manifestation of the contradictions of capitalism, financialization and thus deeper historical and social structural dynamics) (Deutschmann, 2011). Following the spectacular crash of the nation’s (overinflated) FIRE sector in 2008, bank guarantee and Troika (IMF/EU/ECB) bail-out in 2010, Ireland is witnessing ongoing crisis and deepening austerity. Moreover, the resultant ‘shock therapy’ (Klein, 2007) and attendant redistribution of wealth to elites, the hallmark of global neoliberalism (Harvey, 2005), is impacting the most vulnerable members of society hardest who oftentimes find themselves being blamed in the mainstream media for the crisis. Cuts to social welfare, health, education, income and overall quality of life are ongoing, a reality similarly shared by increasing numbers of people across Europe. Indeed, the protracted crisis in Ireland appears to have no resolution and has been met by the current coalition government’s primary efforts to satisfy predatory capitalists (notably international senior bondholders of unsecured bank debt) (Allen, 2009). The once proud (debt-financed) ‘Celtic Tiger’ has fallen prey to finance-led globalization albeit with specific national permutations and twists.

In this paper we will extend our emergent and developing theoretical framework on what we call the Madoffization of society (Monaghan and O’Flynn, 2012a). We have recently used this framework to critique the extractive processes of super-speculative global neoliberalisation in general and the political and economic conditions underlying more specific events, such as social unrest and official responses to that unrest in the UK (Monaghan and O’Flynn, 2012b). In what follows we will turn our attention to Ireland’s ongoing crisis and what McCabe (2011a) terms the ‘insanity’ of the state’s guarantee of the country’s main financial institutions (such as the infamous Anglo Irish Bank). In so doing, we are interested at a more formal level in developing our emergent thesis, which is reflective

of the madness of the world which we are witnessing. Madoffization is presented here as an ideal typical model or heuristic device, which, we suggest, has value when critically exploring and challenging the corrosive ‘fictions of fictitious capital’ (Hudson, 2010). After outlining our thesis and other relevant theory that sheds light on the intersections of global and transnational processes of neoliberal extraction, we will locate Ireland’s economic rise and fall within the contours of rampant super-speculative (ponzi) finance and financialization (Hassan, 2011). This, in turn, will allow us to unpick and explore the core elements of Madoffization, as it has unfolded in Ireland in recent years, incorporating: accumulation through debt expansion, mass deception, efforts to maintain secrecy and silence, obfuscation and scapegoating. We will then conclude with some reflections on the madness of the Madoffized society in Ireland and beyond and the possibility of not only interpreting but also changing the world.

### **The Madoffization of Society Thesis**

As the word Madoffization implies, we take Bernie Madoff and his Investment Securities firm as our infamous referent. We use this as a lens for viewing the current contradictions and fictions of finance capitalism, its crisis tendencies, logics and corrosive social consequences. Madoff was a leading Wall Street player who is a symbol and symptom of an extractive system where ‘control fraud’ and other forms of white collar crime have proven endemic in political and financial institutions on both sides of the Atlantic (Black, 2005; Mahon, 2012). In 2009, Madoff was convicted to 150 years in prison for running a US\$65bn ponzi scheme, which was exposed during the 2008 financial crisis. We detail Madoffization elsewhere (Monaghan and O’Flynn, 2012a), though, in the interests of reader orientation and convenience, we will outline our basic thesis below. For now, we stress that we are much less concerned with individual fraudsters than we are with interrogating the system that permits claims on wealth to grow and grow apart from any corresponding creation of wealth. In short, we are interested in the practices, relations, logics and institutions that facilitate parasitic wealth extraction.

First, some words on the Madoff case and what we mean by Madoffization. As is usual among those who construct ponzi schemes, where money from new ‘investors’ (marks) is used to pay older entrants (Lewis, 2012), Bernie Madoff robbed Peter to pay Paul. However, rather than ‘buying into’ the common condemnatory narrative or simplified ‘pre-emptive political logics’ (Glynos et al., 2012), where Madoff is considered no more than a ‘rotten worm’ in an otherwise ‘healthy green apple’ (Žižek, 2009: 36), we contend that his fraud, perpetrated on such a massive scale over several years, was only possible because broader structural and institutional arrangements enabled this to happen. Regulators investigated Madoff’s operation and red flags were raised by a fraud investigator over a nine year period (Markopolos, 2010) yet his scheme continued right up until 2008. While Charles Ponzi, in early twentieth century USA, was something of a smooth criminal who relied on his wits and a convincing cover story (Zuckoff, 2005), Madoff enjoyed considerable cultural and social capital right at the heart of the world’s financial system. Madoff founded and later chaired the NASDAQ stock exchange and this Wall Street ‘big shot’ was well placed to extract billions from various marks, including banks such as Santander which was defrauded of US\$2.6bn. As with Žižek (2009), what we find most interesting about this episode is the degree to which Madoff provides a mirror on the world of finance capital which, through the contradictory logics and demands of a self-devouring capitalist system (Ticktin, 2009), has morphed into a ponzi scheme of epic proportions. In short, Madoff is the

tip of an iceberg in neoliberalised societies where ‘accumulation by dispossession’ (Harvey, 2005) has been supercharged through astronomical debt expansion (as happened with bank bailouts and shifting private losses onto the sovereign balance sheet). This is the disturbingly logical consequence of financialisation and rampant speculation amidst the deregulation and desupervision of (virtual) markets and, as explained by Harman (2009), declining opportunities for profitable investment in the productive economy. This is the Madoffization of society.

There are good reasons why the Madoff analogy features centrally in our account of Ireland’s spectacular rise and fall. Ireland’s property and banking sectors presented as crucial elements of a giant society-wide ponzi scheme. Irish banks sold bonds to institutions in Europe, using this borrowed money to fund property development. This provided the impetus for continued speculation on price, subsequent repayments of loans with interest, which permitted banks to sell more bonds, closing the circle by further fuelling the property bubble (until the inevitable collapse) (McCabe, 2011a; Kerrigan 2012). However, there was more to this than simple ponzi financing. As with the Madoff scam, Ireland’s property bubble rested on deceptions that were rooted in mainstream institutions. The difference between a typical ponzi scheme and what we call a Madoffized scheme is that the latter is facilitated by the state, by the economics profession, by regulatory authorities, by rating agencies and by the mass media. We consider the dominance and pervasive influence of finance capital over broader societal institutions crucial here. We are speaking of an environment in which society-wide fraud and the delusions necessary to sustain parasitic activity are routinized. As such, we contend that ‘disgraced bankers’ like Sean Fitzpatrick, are not the source of Ireland’s current woes, that they are in fact the disturbingly logical products of a transnational Madoffized system.

The Madoffization of society, notably in the USA and its outposts such as the UK and Ireland, was supercharged following the deregulation and desupervision of financial markets from the 1980s onwards. Other ‘enablers’ (Rasmus, 2009: 39) and stimulants have included developments in the forces of production (computer technology, notably the internet that supports instant global trading) and capitalism’s finance and ‘securitization revolution’ in ‘commodity money forms’ and ‘intermediaries’ (e.g. Credit Default Swaps, Structured Investment Vehicles, Hedge Funds) (Rasmus, 2008: 26). Such financial ‘innovations’ are of particular relevance to our thesis, where accumulation through debt expansion is a central hallmark of Madoffization. Deutschmann (2011: 383) explains that ‘securitization’ means ‘to release debts from relationship, disembody them, and give them “thing-like” qualities, to make them liquid. Once reified (turned into things), debts can circulate more freely, and be bought and sold on markets’. Securitization is, of course, an essential ingredient in the latest ‘bubble economy’, most spectacularly observed in real estate, though it is symptomatic of deeper, underlying mechanisms in divisive capitalist societies (Harman, 2009).

Instability is endemic within the global capitalist system but the invention of myriad financial instruments increased the tendency towards speculative as well as super-speculative (ponzi) activity, typically in non-productive spheres, and ultimately a ‘Minsky moment’ of epic proportions (Harman, 2009; Rasmus, 2008). As explained by Rasmus (2008), when critically extending the theories of Minsky and Marx to the deepening global crisis, the FIRE sector became the engine-room of ponzi finance wherein it was assumed that wealth could be made outside of real production. For Glynos et al. (2012), this phase of growth in neoliberal finance, lasted some twenty years and ‘was underpinned

by, and in turn fed into, potent fantasies of unlimited growth and prosperity' – a 'fantasmatic dimension' (p. 301). Culminating in an 'accident' and 'blowoff' (ibid.) or 'epic recession' (Rasmus, 2009), this fictitious 'wealth creation' consisted of banks and other creditors lending vast amounts of interest-bearing money that was then pumped into rising (overinflated) assets, in the expectation of securing future returns (note, in particular, housing, which had particular salience in the US subprime crisis and, as we will elaborate, Ireland's property 'boom'). For Rasmus, finance capital achieved dominance in a context where 'the drive for profitability amidst systemic counter-pressures reducing profitability' (2008: 7) underpinned the acceleration of ponzi speculation in the twenty-first century. We lack space to discuss the temporal development of Madoffization, though Rasmus offers important insights when describing the swift acceleration of financially destabilising speculation post-2000 as actors sought super-profitable returns as quickly as possible and without actually producing anything (also, see McCabe, 2011a on derivatives trading and the US Commodity Futures Modernization Act).

### **An Outpost of the USA: Ireland's Place in Global Ponzi Finance**

'By the time the last of the barriers to speculative financial trading are lifted in the US, Ireland is more than ready to take the world's money. In 2008 the veneer of cheap credit suddenly fades, leaving the shaky edifice of the Irish economy exposed' (McCabe, 2011a: 10-11).

Substitute 'Madoff' for 'Ireland' and 'ponzi scheme' for 'Irish economy' and McCabe (2011a) could have quite easily been writing about the US\$65bn implosion of the Wall Street fraudster's enterprise. Yet, our interest here is in Madoffized Ireland where the total sums of money are much higher (Killian et al. 2011). To be clear, Ireland's FIRE sector has periodically thrown up examples of the classic ponzi scheme and, as such, we do not for one moment imagine an innocent past. For instance, in 1983 the Private Motorists Provident Society ceased operating after its parent company collapsed and the government discovered it 'was using revenue from new customers to pay old customers' (McCabe, 2011a: 142). However, before explaining why we consider contemporary Irish society more generally to have been Madoffized we will locate the nation in global ponzi finance, i.e. the larger financialized system wherein private banking interests became hegemonic (Deutschmann, 2011). As part of this discussion we are interested in locating Madoffization 'Irish style' within the contradictory dynamics of finance capital comprising: structured social relations, organisational practices, cultural meanings and vested material interests that transcend while remaining embedded within (amplified by) the nation state. Also comprising documented political corruption that was 'both endemic and systemic' (Mahon, 2012:1), Ireland's 'golden circle' of powerful interests continued and flourished even after their financial house of cards crashed in 2008; the FIRE sector quickly demanded and received a historically unprecedented 'bail-out' (the socialisation of private losses that ultimately led to Troika intervention in 2010).

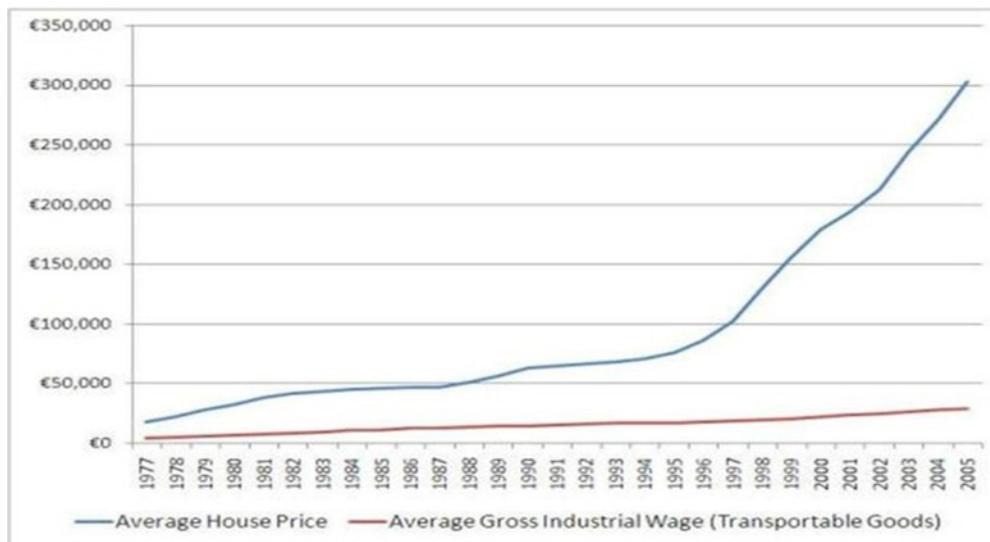
In contextualising the 'rise and fall' of the so-called 'Celtic Tiger', and the current indebtedness of the people of Ireland to financial interests we would, similar to Deutschmann (2011), avoid the limitations of simply focusing on the failings of regulators or cyclical financial instability. Rather, we are interested in aspects of Ireland's economic history in the twentieth-century and, given the centrality of

the debt-fuelled property boom post-2000, the country's reliance on publicly subsidised private housing development (McCabe, 2011a). Such processes, more generally, relate to the growing importance of the FIRE sector in the post-1970s era of global neoliberalisation (Harvey, 2005) and 'the great delusion' that prevailed in Anglo-Saxon capitalism towards the end of the twentieth-century where it was maintained there was 'no more busts, only booms' (Harman, 2009). Indeed, it is here that we would concur with Allen (2009) who considers Ireland 'an outpost of the USA' (p. 152), reflecting a general trend wherein the FIRE sector has been pivotal in those neoliberal nations that have relied on (debt-fuelled) bubbles more so than real production to sustain 'economic growth'.

In Ireland, from the 1960s onwards, foreign financial interests (including American banks) invested capital into commercial and industrial property and the domestic housing market (McCabe, 2011a). As per Harvey's (2001) concept of 'the spatial fix', this represented the global movement of over-accumulated capital in an attempt to sustain and expand capitalism - something that became increasingly important in the twentieth century in order to mitigate, but never solve, capitalism's crisis tendencies (also, Deutschmann, 2011). This capital influx, McCabe (2011a) explains, occurred in a weak indigenous economy comprising a dominant class that primarily sought to further its own interests by acting as middle-men: wealth redistributors rather than wealth producers. Aside from agricultural production (especially cattle), Ireland mainly depended on injections of (foreign) capital into financial intermediaries and the indigenous servicing of export-led multinationals, which have had limited direct benefit to the local economy (p. 89). All of this is significant to our Madoffization of society thesis since a key aspect of this extractive process entails the dominance of fictitious forms of capital, comprising claims on wealth rather than actual wealth production (Monaghan and O'Flynn, 2012a). While most of the Post-Fordist Anglophone world after 1970 experienced de-industrialisation and the expansion of financialisation, Ireland never had significant indigenous industrial development (and thus a real productive economy) to begin with. It has largely ridden on the coat-tails and fortunes of big players as they pursued short-term profits through off-shoring labour, tax avoidance, rent-seeking and speculation. Small wonder, then, that Ireland suffered so badly when the 2008 GFC came much like a tsunami with a suddenness that took many people by complete surprise and with shocking repercussions for the larger society that is being forced to clear up the mess.

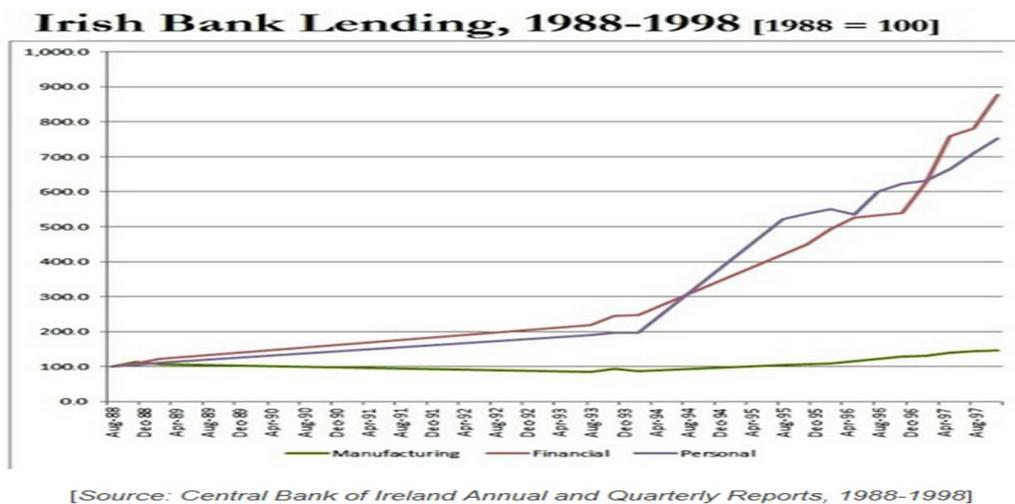
Housing, a recurrent theme in the GFC following the US subprime debacle, deserves special attention. During the latter part of the twentieth century the Irish State increasingly withdrew from public provision and incentivised private home ownership. This was partly favoured as a 'top down' method of manufacturing of consent in a highly conservative state (e.g. owner-occupiers are unlikely to embrace communist ideals) more so than the postcolonial population's lust for property. This withdrawal of public housing accelerated with the provision of large government grants in the mid-1980s, which enabled relatively well-off working people to secure mortgages on private housing. As McCabe (2011a: 32) explains, 'the privatisation of Irish housing meant that the need for a house was replaced by a need for a mortgage. The banks, building societies and mortgage brokers were the unchallenged gatekeepers to securing a home'. An obvious consequence was the inflation of house prices, though as we will note further below, 'financial innovations' in the late 1990s were especially consequential in that regard (see Figure 1).

FIGURE 1: Average House Prices and Gross Industrial Wage 1977-2006 (McCabe, 2011b)



The Irish government’s housing policy, which served the financial and construction sectors so well in an otherwise weak or floundering national economy, not only stoked ‘asset price inflation’ but also increased the marginalisation (stigmatisation) of public housing. In short, the mortgage industry was subsidised courtesy of the tax payer, with the neoliberal withdrawal of the welfare state rendering public housing increasingly synonymous with ‘social deprivation’ (McCabe, 2011a: 40). In its place was constructed a vision of ‘semi-detached owner occupiers docile with mortgage debt’ (ibid.), or new householders renting from private landlords as house prices increased exponentially. And, when compared to other developed nations, one perhaps gains a greater appreciation of the scale of this debt-financed bubble: quoting data from the Bank of International Settlements, Hennigan (2008) writes: ‘In 2006, Irish [house] price growth from 1970, exceeded that in Sweden by 168%, Denmark by 65%, Norway by 79% and Finland which has been a strong economic performer since 1993 - a period that coincides with the emergence of the Celtic Tiger - by 123%’. Hennigan adds that out of 18 developed countries over a 36 year period (1970-2006), Ireland experienced the third highest growth in house prices (behind Great Britain, which was the highest after Spain). What we would also underscore here is the rate of this rise relative to gross industrial wage, which necessitated ever greater expansion of debt via bank lending outside of manufacturing production. Indeed, as seen in Figure 2, bank lending to the manufacturing sector hardly increased during the early years of the Celtic Tiger. The increase in lending was to the financial sector and personal lending (which includes mortgages).

FIGURE 2: Irish Banks and Credit Formation/Direction, 1988-1998 (McCabe, 2012)



We would contend that such increases in apparent wealth, especially during the 1990s, were like those observed in the ponzi pyramid scheme. In short, this wealth creation was as flimsy as those fictitious stamps that Charles Ponzi claimed to have invested his marks' funds in so as to achieve a phenomenal return (Zuckoff, 2005). In a global capitalist system where excess savings were continually looking for a swift return (Harman, 2009), light-touch regulation enabled Irish banks to borrow from European banks at low levels of interest and then lend to developers and home owners - borrowing short-term to lend long-term (Murphy and Devlin, 2009: 6). The boom rested on an increasingly unstable financial pyramid, with Irish banks lending money to property developers, speculators and people simply wanting a home, depending on European banks' reckless lending in the process.

Evidence of Irish house prices and bank lending should thus be located within Ireland's positioning as a conduit for global finance. McCabe (2011a), whose insightful research is ongoing in this area, discusses the creation of the International Financial Services Centre (IFSC) in Dublin in 1987 and 'favourable' changes in corporation tax for banks. Ireland effectively became 'a tax haven for financial services' (p. 144), much akin to secretive offshore banking in the Cayman Islands, with the IFSC being regarded as the 'Wild West of European finance' (p. 148). This reputation emerged in the midst of a more general 'revolution' in the mortgage market and 'innovations' in financial products which, as noted above, were instrumental in super-speculative activity in the global financial system (Hassan, 2011). Describing the conditions under which the Irish state eventually came to bail-out the banks, McCabe explains that such 'financial innovations were increasingly being used in the late 1990s to fuel speculation in one of the least-productive economic activities: property' (2011a: 41). This, alongside tax breaks for home buyers and builders, meant that housing was constructed not according to social need and affordability but according to the need for capital to make a speedy tax deductible return. It is in this context of asset price inflation that owner-occupancy actually fell from the 1990s onwards as prices far exceeded the average industrial wage, with many properties remaining empty especially in 2007 just before the super-speculative bubble popped. Going beyond some of the superficialities in the Irish government's Nyberg Report (2011) on the 'causes' of the financial crisis (e.g. the risks of so-called 'group think' and 'consensus' in the banking industry), we

contend that historically entrenched class interests, including the growing hegemony of finance capital, should take centre stage in any serious analysis of Ireland's current woes. Indeed, in all of this, there has proven to be a deep rooted 'ability of the banking sector to direct economic policy according to its needs, rather than the needs of the economy' (McCabe, 2011a: 127). The broader needs of contemporary Irish society, a Madoffized society, have also been ignored and damaged.

### **The Madoffization of Irish Society**

We will now discuss the central elements of Madoffization as they have emerged within, shaped and continue to negatively impact Irish society, notably post-2000: (1) accumulation through debt expansion, (2) mass deception, (3) efforts to maintain secrecy and silence, (4) obfuscation, and (5) scapegoating. These intertwined elements were observed in the original Madoff case but, as with Ireland, they are also observable in Madoffized societies. As a caveat, we do not claim the specifics of Madoff's 'con game' were reproduced to the letter in Ireland; rather, our point is that there are formal parallels and, moreover, the Irish example provides an insight into the collective and pervasive nature of a corrosive process that has proven more insidious than Madoff's scam.

#### *Accumulation through Debt Expansion: Frenzied Property Speculation and 'Socialised Losses'*

In the context of securitization and the making of debts into marketable things (Deutschmann, 2011), one person's burden is another's (interest bearing) asset, or, more accurately following the 2008 bank guarantee and bail-out in Ireland, a population's indebtedness to speculative financial interests represents a 'meal ticket' for a small and largely anonymous power elite. This, we would suggest, is a key dynamic in the Madoffization process where 'accumulation by dispossession' (Harvey, 2005) has been advanced through massive debt expansion that has not only burdened everyday mortgage holders (notably later entrants into the Celtic Tiger housing market who were especially stung) but also the larger population who are currently suffering savage austerity as the government seeks to 'honour its obligations' (sic) to holders of this newly (odiously) socialised debt. If we lived in a strange parallel universe where Madoff was not convicted after his ponzi scheme collapsed, we would suggest the situation in Ireland is the equivalent of this con artist incredulously securing state support so he could continue extracting billions of dollars from various 'suckers' and live 'the life of Riley'. An extremely dubitable outcome, one might assume, since the 'security' Madoff sold was fictitious and could only result in the impoverishment of an ever expanding number of people drawn into his seductive orbit of dreams and (self-)deceptions. Yet, as we will see, even here the 'fantasmatic logics' that helped to sustain Madoff's venture for a period are instructive when exploring Ireland's great delusion and demise: a spectacular rise and fall that makes 'Icarus look boringly stable' (O'Toole, 2010: 10).

Given the dominance of bank lending for real estate in the original formulation of our Madoffization of society thesis and Ireland's narrative of glory and despair, we will concentrate on such lending here alongside evidence on the scale of debt in Ireland (Killian et al., 2011). Such indebtedness is enormous and likely unsustainable in a small nation with a population of around 4.5m. In their audit

of Irish debt, defined as debt for which the people of Ireland are ‘held responsible’ (p. 1) and which includes ‘debt issued by private banks, but underpinned by a state guarantee’ (p. i), Killian et al. provide a ‘snapshot’ of indebtedness in the first half of 2011. They conservatively estimate that total bank liabilities equalled €411.1bn, while the state ultimately provided cover for institutional liabilities equalling €279.3bn (p. 20). Regardless of the exact figures, which are often obfuscated (discussed further below), they dwarf Madoff’s US\$65bn venture. As Killian et al. note, the ‘debt problem’ goes beyond Ireland with European Central Bank (ECB) statistics indicating that government debt as a percentage of Gross Domestic Product (GDP) across the Euro area has risen exponentially after 2008. Yet, it is also the case that Ireland has the dubious honour of being the most burdened in the EU by bank debts. Taft (2013), when reviewing recent Eurostat data, notes that Ireland’s current total figure of €41.1bn for bailing-out banks tops the table, slightly ahead of Germany. When one considers the relative size of these countries and when the cost is presented as a percentage of GDP, a truly staggering picture emerges: between 2007 and 2011, 25 per cent of Ireland’s GDP was used to save the banks while Germany used 1.5 per cent of its GDP. When the European banking crisis is costed on an individual basis throughout the EU, it works out at €192 per person. The cost borne by German citizens is considerably more, standing at €491. However, the cost per capita in Ireland stands at €8,981 (Taft, 2013). Taft writes: ‘We [the Irish] may be minnows when it comes to population and economic size, but when it comes to banking debt we are the whale in the pond’. If Western capitalism, with its tendency towards super speculation (ponzi finance) and crisis, is to be typified as a Madoffized society, then Ireland represents an extreme example.

The highly reckless, debt-financed and super speculative (ponzi) character of Ireland’s house of cards is evidenced in the almost total collapse of the financial sector in the immediate post-boom period. Accumulation on the part of the banks and largest property developers depended on asset-price inflation, the continuation of which required the same kind of institutional supports that had made the Madoff scam possible in the USA. The analogy is appropriate. People invested with Madoff because there was visible evidence of significant returns. Eventually churches, charities and people of modest incomes flocked to the scheme before being fleeced. Likewise, so-called high-net-worth-individuals invested in Irish property because there were visible gains in terms of property values in a short space of time. At the height of the frenzy, it was not only the rich who had come to view houses as investments rather than as places to live, and more and more borrowed money, either in a panic to get on the ‘property ladder’ or to realise a windfall in the expectation of continued increase in price. The more people invested the more worthwhile the investments appeared to become, and the more worthwhile the investments appeared to become, the more likely people were to invest. Such dynamics also resonate with Zuckoff’s (2005) narrative of Charles Ponzi, a ‘financial legend’ who fostered ‘investor’ confidence so that new money could be reeled in thus providing funds for Ponzi and older entrants. Viewed as a con game (Lewis, 2012), what we see here is how the ‘mark’ (who must eventually be ‘cooled out’), is allowed to make some gains before the ‘operators’ of the charade ‘depart in a ceremony that is called the blowoff or sting’ (Goffman 1952: 451; and, Glynos, 2012).

We want to make clear that we are not simply dealing here with a handful of financial fraudsters, though outright fraud and thievery are endemic problems in the FIRE sector (Black, 2005; Harvey 2005; also, see below). Quite often the same rating agencies, auditors and management consultancy firms that facilitated debt-expansion around the world were instrumental in the Madoffization of Ireland. As late as 2006 the most respected US firms, such as Oliver Wyman, were advising investors

to consider investing in Anglo Irish Bank. In its exclusive, proprietary Shareholder Performance Index, Anglo stood at number one on its list of top twenty investment targets (Kerrigan, 2012: 175-176). The problem was that Anglo fostered an illusion of profitability by lending money primarily for speculative investments (including allegations that money was illegally lent to ‘connected’ individuals for the purposes of buying shares in the bank, thus propping up the illusion that the enterprise was sound). Even the head of Anglo, Sean Fitzpatrick, borrowed €122 million from the bank he was charged with running. As with many other borrowers, loans were often used to speculate on property prices. Somehow it was not clear to economists or politicians that as soon as the trade in houses and commercial properties slowed down, the construction industry would collapse, purchasing power would decline, and the lending institutions such as Anglo that had borrowed money from European banks for speculative purposes, would be unable to repay their debts. And, as documented in Killian et al.’s (2011) audit, three years after the crash there remained approximately €30bn in outstanding promissory notes for Anglo Irish Bank and two other lending institutions (Irish Nationwide and EBS) (p. 20) – money that the people of Ireland continue to pay while living standards decline, taxes are increased and public services are decimated.

In short, between them, politicians, developers, financiers and, as we will go on to explain, the mass media, created the greatest property bubble in Irish history, resulting in the greatest private debt crisis in Irish history. Though bankers’ and property developers’ interests took precedence over other sectors of the economy throughout the twentieth century, the political prioritisation of their interests was amplified during the so-called Celtic Tiger years, and afterwards. Indeed, in December 2009 the government set up a rescue scheme as soon as the wealthiest developers faced bankruptcy. The National Asset Management Agency (NAMA) was devised by an economist with ‘intimate connections with the property industry’ (Allen, 2009: 141) in order to bail-out bankrupt developers, effectively guaranteeing claims on wealth associated with the speculative activities of the boom period. The debt amassed by Irish banks during the boom was almost always and everywhere connected to the activities of property developers and other speculators. The political control of these sectors was such that debt would be offloaded onto the larger population, creating the greatest public debt in Irish history. Our view is that Irish bankers were not necessarily more inherently reckless than bankers in Europe or elsewhere. It is their relative power and corresponding influence over government policy, rather than the level of debt amassed, that sets them apart. As McCabe suggests, it is ‘the ability to transfer that debt wholesale onto the shoulders of the state which marked out Irish bankers as a step above their worldwide contemporaries’ (2011a: 10). And, because of such parasitic action, elites are enjoying ongoing accumulation of wealth while the majority suffer.

### *Mass Deception: More of a Docile Tiogar than a Powerful Tiger*

Our original formulation of the Madoffized society as one where mass deception has proven to be a core enabling element for accumulation through debt expansion fits well with recent sociological commentary on (post) Celtic Tiger Ireland. In *Ireland of the Illusions*, Perry and Corcoran (2010) refer to a time that encouraged mass-delusion rather than self-reflection, a diagnosis paralleled elsewhere as per Harman’s (2009) discussion on global financialisation, ‘the debt economy and the great delusion’ (p. 280). In their preface, Perry and Corcoran (2010) explain that Ireland is perhaps most accurately represented by the fictitious ‘Tiogar’ or Tiger Cow (given that Ireland’s productive sector is largely

tied to cattle farming which was overshadowed by illusions that the economy was a much more powerful and exotic beast). The Tiogar, a piece of artwork produced in 2005 when Ireland roared with apparent success, was vandalised and set on fire during its public display in Dublin - prescient given the 'ultimate fate of its close namesake, the Celtic Tiger' (p. ix). Besides such deceptions in the cultural imaginary and subsequent myths about the post-crash Irish economy (e.g. workers have priced themselves out of the market, there is a bloated public sector, NAMA will come to the rescue) (Allen, 2009) we would be mindful of fraudulent institutional practices which 'are noted strategies for boosting profits' within the FIRE sector (Deutschmann, 2011: 358).

Just as the US FIRE sector burnt to the ground following the securitisation of 'liar loans' and the subprime mortgage debacle (Blackburn, 2008), Ireland's fortunes took a nosedive in a context of mass deception. Evidence of 'fraudulent practices' which remained hidden during the boom is continually emerging. Indeed, as with the recent collapse of the 150-year-old Irish stock broking firm, Bloxham, which played its part in property speculation, there are ongoing reports of 'accounting irregularities' which, along with instances of 'false accounting' and misuse of client funds elsewhere in the FIRE sector, have left investors and the tax payer worse off (Molloy and Dineen, 2013). While we will flag documented corruption in the political sphere (Mahon, 2011) it is also worth noting how circulating narratives in Ireland have deceptively nationalised and democratised blame for the crash. The notion that home-owners were growing wealthier with increasing property prices is now rightly understood as an illusion. But to what extent was this self-delusion? According to McWilliams (2007: 109), '[n]o-one who has seen Irish people queuing up to buy second and third homes can suggest that what they have seen is rational'. Home buyers during the boom period were, according to McWilliams, acting as 'members of the cult of property'. And as with any population, when the Irish 'come under the spell of property or any asset cult, all logic is thrown out the window' (p. 109-110). But to simply explain the property bubble in terms of mass delusion is, we would argue, too convenient, itself a de-contextualised sleight of hand that diverts attention from dominant class interests and institutionalised deceptions that facilitated accumulation through debt expansion before, during and after the crash. Though expressed as a thought exercise, McWilliams depiction of 'property mania' is not that dissimilar to Taoiseach Enda Kenny's utterance at the 2012 World Economic Forum, at Davos, where he claimed (apparently with some degree of sincerity) that 'what happened in our country is that people simply went mad with borrowing' (Journal.ie, 2012). In satirical fashion, Kerrigan builds on this general viewpoint: 'Arm in arm, it seems, factory and office workers decided with millionaire developers to build ghost estates in the middle of bogs. The unemployed joined Mr Lenihan [then Minister for Finance] in agreeing to guarantee all the lousy gambles the bankers made' (2012: 104).

Certainly, many individuals did get caught up in the property-buying mania. Many home-owners assumed that their personal wealth was steadily increasing with the increasing exchange-value of their homes in line with the 'fantasmatic logics' (Glynos et al. 2012) outlined above. However, this does nothing to substantiate pop-psychology theories about the Irish 'property-owning gene' or the 'cult of property'. The inflation of the Irish housing bubble cannot be explained apart from the relative power of developers and financiers, apart from government policy, apart from innovations in the deregulated FIRE sector, and apart from the use of incentives and the elimination of alternatives (McCabe, 2011a). Likewise, the property bubble of the Celtic Tiger period is intelligible only through consideration of the interests served by asset-price inflation. During the boom period mainstream economists and

journalists did very little to examine the sectors dominating policy to this end, or consequently of the ponzi character of the system.

In an earlier period of economic crisis Sinclair (1935: 109) explained that it 'is difficult to get a man to understand something, when his salary depends upon his not understanding it'. So it was seven decades later among Irish lenders, developers, estate agents, politicians and media pundits. For example, there was increasing evidence by 2007 that the countryside was being filled with ghost estates. Efforts were thus stepped up by various 'ropers' to maintain the illusion. Evidence was mounting daily that a property crash was imminent, but those voicing concern were accused of 'talking down' the economy (undermining confidence). As late as July 2007 one national newspaper columnist wrote: 'I think I know what I'd be doing if I had money ... I'd be buying property. In fact, I might do it anyway' (O'Connor, 2007). According to O'Connor, there was no need for alarm since 'the big picture suggests a 3 per cent drop'. Therefore '[i]f you're smart and you have balls and you're dealing with the right buyer you can knock 10 per cent or more off the price of a house these days ... it makes sense to buy property now'. O'Connor worked for the Irish Independent, and the newspaper relied heavily on revenue generated from advertising property across the country.

Preston and Silke (2011) have drawn attention to the role of the Irish press in this regard. They highlight the extent to which the newspapers benefitted from the continuing asset-price inflation, primarily through their very 'lucrative and non-critical property supplements'. Additionally, Irish media companies made substantial investments in property listing websites. Preston and Silke went on to examine 449 articles in the property, business, opinion, and news sections of the Irish Times in the three week lead-up to the 2007 general election. They found that 'of the sixty articles describing residential properties, and the nineteen describing commercial property not one (this at the height of the Irish bubble) considered if the properties may be overvalued' (Preston and Silke, 2011). The capacity of the media to accurately report on the causes and consequences of continued asset-price inflation was hampered by the fact that a key source of their revenue depended on the maintenance of public confidence, or popular delusions within a broader system of fantasmatic logics.

In addition to vested media interest and influence which helped fuel the deception, continued asset-price inflation depended on the very lucrative relationships formed between developers and politicians during the boom period. The details of many of these 'shady' relationships were brought to public attention in the wake of the economic collapse, just as with Madoff's ponzi scheme which could not be hidden once the liquidity dried up with the GFC. The Mahon Tribunal (2011) demonstrated that payments by developers to politicians were quite routine; donations were made on the presumption that rezoning decisions could be bought. Where decisions to rezone land went favourably, developers with substantial land would receive a windfall. The tribunal demonstrated that politicians and their respective parties were very much financially dependent on the property sector. Quite apart from individual corrupt payments to politicians, Mahon found that certain companies, such as Monarch, were actually paying councillors (and even prospective councillors) *en masse*. Monarch was described as operating a system that was 'the antithesis of democracy, and was in reality intended to corrupt councillors by way of inducement, to compromise the disinterested performance of their public duty to consider rezoning applications on their merit, and with due regard to proper planning and the common good' (Mahon, 2011: 2487-88).

We lack the space to provide extensive discussion on the role of deception before, during and after the 2008 collapse of Ireland's ponzi economy. However, we will draw this section to a close with a brief description on some incredulous and blatant deceptions in the political sphere after the Troika 'rescued Ireland' in 2010 (itself an unbelievable framing, since it would be bankers, bond holders and other debt merchants who were rescued at public expense).

In 2011 the Fianna Fáil government presiding over the economic collapse was unceremoniously thrown out of office. Not only had the government been exposed as reckless and corrupt, not only had it socialised private bank debt at enormous social cost, it refused to place an appropriate share of the burden on the high-net-worth individuals who had made spectacular profits during the boom period. The population were demanding something different. Though the main opposition party, Fine Gael, represented the same kind of politics, with a general election on the horizon its leaders began to voice the concerns and sentiments of the population. On 15 December 2010, from his seat on the opposition benches of Dail Eireann, Michael Noonan put the following to the then Minister for Finance Brian Lenihan. We would add, especially for readers outside of Ireland, that Noonan subsequently became Minister for Finance and has shamelessly continued the policies of his predecessor:

What legal or moral compulsion is on Ireland, however, to honour in full debt incurred by Irish banks when there was no state involvement in these arrangements? These loans were entered into freely by willing lenders and borrowers, with absolutely no state participation. The interest rate charged represented the risk at the time, and there never was a state liability. It is obscene that liability for these loans is now being transferred to the Irish taxpayer, in many respects to the poorest of the Irish taxpayers. The Irish government and the taxpayer has no liability whatsoever for these debts ... In the Budget, the minister for Finance reduced social welfare payments, punished the blind, disabled, widows, carers and the unemployed and he taxed the poorest at work, and for what? It was so the taxpayer can take on liability for debts the country never incurred, and arose from private arrangements between private institutions. What a disaster and an obscenity (cited in Kerrigan 2012: 183-184).

The leadership of the Labour party expressed similar indignation and insisted that in government they would represent something very different. The fact that the Labour party was lining itself up for coalition with Fine Gael did not wash well with many traditional Labour voters. However, enough were convinced that a government that included Labour would be more likely to defend workers, the unemployed and the most vulnerable. This was a view that Labour leader, Eamon Gilmore, carefully fostered in the run up to the 2011 general election. Gilmore insisted that his party 'will not agree to having child benefit cut anymore and Fine Gael need to drop their plans to cut child benefit', a claim repeated on the party's election posters, which read 'Protect child benefit, vote Labour' (Browne, 2013). The following year it became clear the population would remain saddled with debts that private banks owed to bondholders and very few promises made during the election would be honoured. Under some pressure on The Week in Politics program, aired on Sunday 9 December 2012, Labour Minister for Communications Pat Rabbitte admitted that promises had been made, but went on to add: 'Isn't this the kind of thing you tend to do during an election campaign?'(cited in Browne,

2013). Electoral politics, it seems, is about politicians making promises that they have no intention of keeping, undermining the very principles of democracy and broader societal trust.

### *Efforts to Maintain Secrecy and Silence: Ignoring Critics and Sustaining the Costly Sham*

As understood after Madoff was exposed, mass deceptions and outright illegality can remain hidden from broader public scrutiny for many years. Drawing from the Madoff case and fraud in the Dutch construction industry, van de Bunt (2010) discusses how ‘walls of secrecy and silence’ have enabled parasitic economic activities, in addition to other abuses of power such as systemic clerical abuse in the Irish Catholic Church. Moving to Ireland’s debt-economy and housing bubble, it is quite clear that prior to the crash even a sober analysis of the situation was effectively silenced. Consider the reaction to the analysis presented by Kelly at the height of the boom. Kelly (2007) argued that the rise in Irish house prices had to be set against the backdrop of international trends, and went on to demonstrate that, to a greater or lesser degree, all property booms are in fact bubbles. Between them, Ireland’s ‘golden circle’ had fuelled a property bubble, the collapse of which was as inevitable as any ponzi scheme. Kelly knew this and intervened precisely with the view to upsetting the cosy consensus that prevailed among mainstream economists, politicians and media commentators. Kelly introduced a comparative study of booms in different countries which, like Ireland, had rested primarily on construction and real estate. In each case, without exception, the result was a catastrophic property crash; typically house prices lost 70 per cent of their boom period increase. It is not that surprising that Kelly’s intervention met with silence, and in retrospect, not so surprising that the two main national newspapers refused to publish his follow up article on the ponzi character of the property ‘boom’.

Such silencing, as with secretive deals and NAMA’s lack of transparency (Allen, 2009), is an enabling element of Madoffization. More generally, such practices are essential in the context of white-collar control frauds in the financial sector, corruption among politicians and developers (Black, 2005; Mahon, 2011; van de Bunt, 2010) or, indeed, undertaking business as usual with the assistance of accounting firms and law practices. On that note, consider Ireland’s increasingly active status as a tax haven or ‘secrecy jurisdiction’ that contributes to an estimated \$250bn each year in lost taxes by governments worldwide (see Brennan 2013). Similarly, whether referring to indigenous rezoning decisions, the shadow banking system (which has found Ireland’s political stability attractive) (ibid.) or algorithmic trading using ‘programs that are developed and deployed in secret’ (Hassan 2011: 399), there is considerable opaqueness in the global financial system and those institutions that ostensibly serve the public interest. Of course, none of this is peculiar to Ireland but is in fact recurrent in Western capitalism and US operations: whether referring to the Enron scandal, Goldman Sachs trading in oil derivatives or how the Federal Reserve used an obscure law to block congressional audits, transparency and scrutiny are continually thwarted through the erection of barriers (see Monaghan and O’Flynn, 2012a). While the Mahon (2011) tribunal in Ireland subsequently brought endemic corruption to public attention, as with Madoff’s venture walls of secrecy and silence have served elites well when extracting wealth through non-productive activities. More insidiously than Madoff’s case, however, efforts to maintain secrecy and silence have continued post-2008 after the ‘sting’ in order to facilitate incredible debt expansion, as massive fictitious profits gave way to massive fictitious losses (accumulated claims on wealth and production) (Harman, 2009). For

example, in addition to the veiled workings of NAMA, in 2010 the Finance Minister Brian Lenihan sought the expulsion of journalists from court room proceedings on bailing out Allied Irish Banks (Irish Times, 2010). Similarly, much secrecy surrounds the identity of bank bondholders who have benefited enormously from regular multi-billion Euro payments (including payments on unsecured bonds) and indeed how Ireland came to negotiate a ‘rescue package’ (sic) with the Troika. Given space constraints we will focus on two examples to ground our discussion on the relevance of secrecy and silence in the Madoffization of Ireland: efforts to silence (i) investigations into corruption pre-collapse and (ii) subsequent public resistance post-collapse.

As with Kelly’s (2007) research, we would make clear that there were informed attempts to shed light on Ireland’s fragility and vulnerability before the 2008 crisis, but attempts to keep the related deception and corruption under wraps were far more organised, self-interested and relentless. In this connection it is worth highlighting the fate of the short-lived Centre for Public Inquiry, an independent group founded in 2005 to expose corrupt practices in public life. The centre focused on several areas. It dealt with corruption surrounding the sale of natural resources, with particular focus on the Corrib gas field in County Mayo. It drew attention to conflicts of interest among members serving boards for the Dublin Docklands Development Authority and Anglo Irish Bank. Not all of its reports were published. The centre was directly undermined by the then Minister for Justice Michael McDowell, via an attack on its director, Frank Connolly (O’Cleary, 2007: 283-4). McDowell used his Dáil privilege (which afforded him protection from libel) to make the unfounded accusation that Connolly was associated with Latin American terrorists. The media ran with the story. Wishing to avoid controversy, the Centre’s philanthropic sponsor, Chuck Feeney, withdrew funding. Conveniently, the Centre was never able to publish its findings on Anglo Irish Bank, which subsequently cost the country so dearly. The Centre for Public Inquiry was threatened with libel and, having no source of funds, it could not bear the legal costs that might result. Secrecy and silence were therefore maintained in Madoffized Ireland through media, political and threatened legal channels.

Such processes have retained relevance after the financial system hit a brick wall in 2008. After all, we are living through a period when the people of Ireland are expected to keep paying for speculators’ ‘mistakes’ and political efforts to ‘cool them out’ necessitate silencing critics who ‘squawk’ (Glynos et al., 2012). ‘Squawking’ - or complaining after being conned - is an understandable public response to the GFC (Glynos et al., 2012). To date, though, in spite of broken election promises and the ever increasing burden placed on the shoulders of Ireland’s population, such public contestation and resistance has been somewhat muted. Numbers taking to the streets are relatively small and the resistance is as yet largely disorganised. This does not mean the population has been totally ‘cooled out’. Anger is evident in the fact that in 2012 approximately half of the country’s owner occupiers chose to boycott the new household charge, which is widely regarded as another ‘bailout tax’ for reckless and greedy bankers, speculators and bondholders. On top of this the government is subject to sometimes hostile criticism via new social media, including the same channels that elected representatives use to communicate with constituents. This is to be expected for the simple reason that the general population is being subjected to ongoing austerity (and, as we will see below, scapegoating) while high-net-worth-individuals are protected. Some of the anger that is generated takes the form of personal insults and abuse towards politicians. This was highlighted recently after it was suggested that anonymous messages played a role in the suicide of minister Shane McEntee in December 2012. Earlier that month the problem of ‘cyber-bullying’ among schoolchildren, including

two young Irish girls who had committed suicide, received significant media attention. It was quite appropriate that such tragic incidents would focus attention on the often terrible social consequences of cyber-bullying. However, the political class seized on the opportunity to re-frame expressions of public anger towards their disastrous policies, through twitter and other new social media, as a form of ‘cyber bullying’ that must be stopped. The chairperson of the Oireachtas Committee on Transport and Communications, Tom Hayes, warned that ‘this thing can’t be left go unchecked (sic), where people can put up vile comments and get away with it’ (cited by Titley, 2013). Titley notes that some journalists echoed this sentiment, complaining a ‘venomous and toxic social media is out of control’.

It is quite telling that it is precisely the apologists for government policy that voice the most concern about the apparently anarchic nature of social media. As Titley (2013) suggests, these objections actually reflect a fear on the part of the governing class of too much participation, too much critique, and too much democracy. As with former Finance Minister Lenihan’s insistence on a secret court hearing when bailing out a zombie bank that is currently subject to criminal investigations, the population have no right to either know about or widely condemn agents and decisions that negatively impact their lives. The concerns in relation to ‘bullied’ politicians have less to do with abuse than they have with the new media that operates beyond the control and current censorship of the business and political establishment. The objections, as Titley points out, have to be set against the impositions the government are placing on the population it is purporting to serve, the justification of which depends on public acceptance of the unimaginative neoliberal mantra that there is no alternative. A lazy mantra, we would stress, that serves class interests by silencing those who envisage a more just and equitable society. Hence, far more problematic than a media ‘out of control’ is a media under control. A sufficiently adversarial media from the 1990s onwards might have done something towards forewarning and forearming the population, instead of fuelling ‘fantasmatic logics’ where it is apparently possible to get ‘something for nothing’ (Glynos et al., 2012).

### *Obfuscation: Economic Prize-Fighters and Fudging*

Following our reference to Kelly (2007), we begin with a vignette which draws us to a consideration of obfuscation, or clouding an issue, another core enabling element in the Madoffization process. In October 2009 an economics conference was held in Kenmare. Many delegates had failed to raise the alarm during the expansion of the property bubble and almost unanimously supported NAMA. The event ran smoothly, apart from when Kelly spoke, which led to objections from the floor. Kelly is a serious economist with a better track record than most. Yet some delegates condemned the conference organisers for giving him a platform. Kelly was unacceptable to the mainstream because he could not be trusted to serve the social function of official economist. Kelly was never radical. His great sin was that he was willing to speak aloud with little concern about how his statements might offend Official Ireland (Kerrigan, 2012: 111-12).

The fact that economic analysis is rarely sought from those with a record of accuracy, and invariably sought from those with a record of inaccuracy, raises important questions. This problem, which is intensified and pervasive in the Madoffized society, is certainly not a recent development. Marx

(1867) famously depicted the economists of his era as ‘hired prize-fighters’. The post-Ricardian ‘vulgar’ economists were thought to have abandoned science; they were in the business of obfuscation rather than illumination. Though the labels ‘vulgar’ or ‘hired prize-fighters’ could be viewed as hyperbole, it is very difficult to disentangle Ireland’s best known economists’ ‘analyses’ from the ideology and immediate interests of finance capital. More with an eye on the USA, Hudson (2010: 425) refers to the role of ‘junk economics and junk accounting, which are the logical complements to fictitious capital’ and, we would add, Madoffization. This is not the impression that is routinely presented to the public. In Ireland (as elsewhere) particular economists are conferred with the status of ‘expert’, and regularly appear on news reports, on talk-show programs, and in the print media. Their status as experts is seldom questioned, even though it is quite clear that their public profiles have nothing whatsoever to do with their capacity to accurately describe reality or to predict the consequences of policy decisions. While economist Jim Power (who famously laughed at Morgan Kelly’s warnings on live television) is a household name, Terrence McDonough (who also understood the property bubble for what it was) is rarely seen or heard. The problem with giving an economist like McDonough a platform is that he refuses to rationalise government policy, refuses to obfuscate the real aims and consequences of ‘austerity’, and refuses to treat schemes like NAMA as any kind of solution to the problem facing the population. In short, he has no interest in pandering to dominant ‘restorative political logics’ that seek to ‘cool out the marks’ (Glynos et al., 2012).

Of course, there are alternatives to austerity and the Irish population are receptive to more equitable government policy. Insofar as taxation is necessary to fund public services, opinion polls show that 88 per cent of the population favour increasing the taxation of workers earning over €100,000 (Rabble, 2012). However, measures to tackle inequality in Ireland - one of the most inequitable countries in the EU (just behind Greece and Portugal) (McDonough and Loughrey, 2009) - are rarely discussed or seriously entertained in the mainstream media and political debate. In fact, such calls are typically obscured with appeals to promoting and rewarding ‘entrepreneurship’ (tax subsidised wealth extraction) in a more ‘competitive’ (exploitative) economy where ‘savings’ (cuts to public services) and ‘efficiencies’ (longer working hours for less pay) are required in order to ‘satisfy the markets’ (wealthy people). When auditing Irish debt, Killian et al. (2011) refer to what is termed ‘constructive ambiguity’ or, more critically, ‘fudging’, comprising ‘the deliberate use of unclear language in negotiating a sensitive issue’ (p. 25). While they apply this concept to ECB practices and bank bail-outs, which fits our understanding of the Madoffized society, they could have also been referring to other instances of obfuscation in Ireland when they add that such ambiguity ‘certainly does not serve the needs of the Irish people who wish to determine how they have been held responsible for this increased national debt’ (ibid.). And in spite of the dominant political narrative where it is claimed ‘we must all share the pain’ as a national duty, there has not been any fairness in this hall of smoke and mirrors. The manner in which austerity has been imposed is a measure of the power relations between the dominant sectors of the economy (property and finance) and the rest. The 300 richest people in Ireland are worth approximately €57bn, with close to €6.7bn *added* to their combined wealth between 2010 and 2011 (The Independent, 2011). Yet, the government denies the existence of any significant wealth in the country, and denies that there is any option but to cut spending on healthcare, close police stations, cut social welfare, cut spending on education and practically every service of benefit to low and middle income groups. This, apparently, is all necessary to ‘honour our debt obligations’ (sic) and ‘restore the market’s faith’ in Ireland.

## *Scapegoating: The Transference of Evil*

The final core element of Madoffization we will discuss, scapegoating, may be conceptualised anthropologically as the ‘transference of evil’, an ‘alchemy of thought’ which, as with the Aztec’s ritual slaughter, somehow takes away the sins of the world (Frazer, 1919). As explained in our original formulation of the Madoffization thesis, scapegoating involves ‘pointing the figure of blame at myriad targets’ and ‘is especially salient when ponzi schemes collapse’ (Monaghan and O’Flynn, 2012a: 14). Regardless of culpability, Bernie Madoff, similar to Sean Fitzpatrick, are obvious scapegoats in a system that spawned and enabled such men to profit so handsomely at other people’s expense. These are the ‘rotten apples’ or ‘narrowly logical targets’ rather than worthy case studies of a broader system of structured class relations, figurations, logics and practices. As per Glynos et al.’s (2012) analysis of the GFC, scapegoating draws from and feeds ‘fantasmatic logics’ where attention is deflected ‘away from potentially more problematic structural issues’ (p. 301) though this does not bar the possibility of broader political awakening as conditions worsen in the Madoffized society.

As noted above when discussing mass deception, and comments from the country’s leader to the international community at Davos in 2012 (where the Irish apparently went mad with borrowing), this is a blame game. It is a game that is divorced from the realities of state policies that basically constrained people’s everyday choices, for example the reliance on mortgages for a home in the absence of adequate social housing provision. The Irish government, which has never wavered in its determination to load all the costs of the bank bailout onto the population as a whole, has been working very hard to re-direct blame for ‘the state of the nation’. In short, this entails moving the foci from ‘obvious villains’ in the political economic establishment to the larger population who allegedly ‘lost their heads’ by participating in ‘a collective party’ (Allen, 2009: 152) and who now have to pick up the tab. Accordingly, given that the crisis is ongoing, the current government likely understands that the few sacrificial lambs from the ranks of the financial world and politics are insufficient to absolve the nation’s ‘sins’. Because the FIRE sector still holds enormous political influence, and still dominates the organs of public opinion, the media are generally complicit in scapegoating myriad targets, people who typically benefitted little from the great delusion and/or played absolutely no role in the financial collapse. Indeed, since the beginning of the downturn the Irish government has targeted those least capable of resisting, while congratulating itself for making ‘tough decisions’ in the interests of ‘balancing the books’. The unemployed and immigrants are, of course, especially vulnerable to scapegoating, though public sector workers also find themselves being castigated and demoralised. This is via a powerful employer’s organisation, IBEC, which represents many companies that helped inflate the speculative bubble by gambling with workers’ pensions plus a right-wing media which, somewhat ironically, is owned by tax exiles (Allen, 2009).

Scapegoating is a process familiar to ‘the savage mind’ and consists of the belief that ‘guilt and sufferings’ can be shifted to others who will take the burden; for Frazer it is related to ‘a low level of social and intellectual culture’ (1919: 1). Frazer’s depiction has some appeal when reflecting upon Madoffized Ireland and the madness we witness daily as residents in the country, though, as with Allen’s (2009) discussion on myths about the Irish economy, short-term material interests are also at work. The tendency to concentrate on easy targets was brought to light in 2012 when severely disabled people discovered that hours of personal assistance to which they were entitled (and without

which they could not function outside of hospitals) would be cut. The only way to publicise their plight was to spend an entire night in their wheelchairs protesting outside Leinster House. Cutting community services to the disabled, a false economy since it will likely place consequent strains on formal healthcare, was depicted by the government as a decision they were forced to make. This was on the back of successive cuts in social welfare and child benefit. To smooth the way for such cuts the government, newspapers and the television stations all worked together to focus attention on apparently ‘undeserving’ recipients. In late 2011, just as the government were planning to cut social welfare, Minister of State Fergus O’Dowd claimed that it would be possible for the state to save €600m by tackling social welfare fraud (Taft, 2011). The suggestion that a significant number of those receiving social welfare were making fraudulent claims was timely. A public convinced that hundreds of millions of their taxes are being lost to frauds and cheats, would be more likely to support a clampdown, particularly where newspapers, state broadcasters, and others so willingly repeat the assertions. But as Taft points out, those claims about social welfare fraud were themselves fraudulent, that ‘out of a budget of nearly €20 billion, the Department of Social Protection has found only €25 million in fraudulent payments – or about 0.1 per cent of the entire budget’. The real issue to be considered is the willingness of the mass media to facilitate the government’s on-going attacks and vilifications of ‘easy targets’. As with the vilification of Madoff, Fitzpatrick and bankers more generally post-2008, this aspect of Madoffization limits deeper reflection on systemic problems and stymies enlightened action that could bring about a better society.

### **Conclusion: The Madness of Madoffization and Fighting for Change**

When discussing the circumstances leading up to Ireland’s 2008 economic crash, notably the problem of massive and rampant financial speculation, Allen (2009: 113) chooses to describe this as ‘a mad, mad world’. He goes on to cite Marx on ‘the general promotion of swindling by recourse to frenzied ventures’ and comments that ‘the conjurer’s trick appeared to work’ for a number of years (ibid.). We agree, and see fit to conceptualise this ‘mad, mad world’ as a Madoffized world. This is a globalised capitalism in crisis where super-speculative (ponzi) finance has run amok, creating in the USA and its neoliberalised outposts, such as Ireland, a debt-economy fuelled by the grand delusion where it was believed there were only booms and no busts. As described above with specific reference to the ‘Ireland of Illusions’ that somehow imagined itself to be a roaring Celtic Tiger, at least for a while, the state backed interests of predatory finance capital are doing untold damage on the economy and society. The Madoffization of Ireland, we are unhappy to say, has been extremely savage and is ongoing. And, while Ireland may be an extreme case (or ‘basket case’ in some people’s estimation) given the degree to which it has been ensnared by finance capital, our understandings and modes of conceptualising the crisis from the periphery of Western Europe hopefully provide readers with a vantage for surveying other nations that are also reeling in the aftershocks of the GFC.

Ranging from massive debt expansion to scapegoating, the core interacting elements of Madoffization that we have discussed are the product of and help further reproduce exploitative class relations and a contradictory system that is ripe for radical change. As per Bernie Madoff’s con game, the confidence that political leaders (in association with their economic prize-fighters and other allies) seek to sustain is, we would argue, wholly corrosive and increasingly untenable. The fictions of finance capital and the ideology of financialised global neoliberalisation more generally cannot be seriously defended in

light of the damage being wrought on civil society and its more vulnerable members. Rather than viewing the problem as a consequence of lax financial regulation, as expressed by some sociologists, or swallowing neoliberal obfuscations (e.g. the need for workers to take wage cuts in order to become more competitive) we offer a different conclusion. In short, there is a need to more broadly recognise and collectively challenge the mass deceptions, ideological fictions and other odious practices (e.g. incredible claims on wealth) that are pervasive in Madoffized societies: ways of organising the social which, if left unchecked, will lead to an increasingly mad and nasty world that will likely make Madoff's 150 year jail sentence seem tame. As can be seen, then, rather than cooling out the marks it is our view that they should strike back (also, see Glynos et al. 2012). It is in that critical spirit that we have formulated our Madoffization of society thesis, providing a lens for those in Ireland and other financialised economies to interpret and perhaps change the world. Accordingly, it is our hope, but not necessarily our expectation, that dispossessed and odiously indebted populations will break their chains, unite and fight for more equitable social relations, genuine democracy, care and justice - the hallmarks of an enlightened, civilized society rather than one ravaged by predatory finance and a global capitalism in crisis.

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