VANITY FAIR

THE ECONOMIC CRISIS

When Irish Eyes Are Crying

First Iceland. Then Greece. Now Ireland, which headed for bankruptcy with its own mysterious logic. In 2000, suddenly among the richest people in Europe, the Irish decided to buy their country—from one another. After which their banks and government really screwed them. So where's the rage?

BY MICHAEL LEWIS • PHOTOGRAPH BY JONAS FREDWALL KARLSSON

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CRASH COURSE
University College Dublin professor Morgan Kelly, in Hogans pub, in Dublin. He predicted the Irish Crash in 2006.

When I flew to Dublin in early November, the Irish government was busy helping the Irish people come to terms with their loss. It had been two years since a handful of Irish politicians and bankers decided to guarantee all the debts of the country's biggest banks, but the people were only now getting their minds around what that meant for them. The numbers were breathtaking. A single bank, Anglo Irish, which, two years before, the Irish government had claimed was merely suffering from a "liquidity problem," faced losses of up to 34 billion euros. To get some sense of how "34 billion euros" sounds to Irish ears, an American thinking in dollars needs to multiply it by roughly one hundred: $3.4 trillion. And that was for *a single bank*. As the sum total of loans made by Anglo Irish, most of it to Irish property developers, was only 72 billion euros, the bank had lost nearly half of every dollar it invested.

FROM THE ARCHIVE

• Euro DisasterLand Part I: Iceland (Michael Lewis, April 2009)

• Euro DisasterLand Part II: Greece (Michael Lewis, November 2010)

• An excerpt from *The Big Short* (Michael Lewis, April 2010)

The two other big Irish banks, Bank of Ireland and, especially, Allied Irish Banks (A.I.B.), remained Ireland's dirty little secrets. Both older than Ireland itself (the Bank of Ireland was founded back in 1783; A.I.B. is made up of three banks founded in the 19th century), both were now also obviously bust. The Irish government owned big chunks of the two ancient banks but revealed less about them. As they had lent vast sums not only to Irish property developers but also to Irish homebuyers, their losses were also obviously vast—and similar in spirit to the losses at the upstart Anglo Irish.

Even in an era when capitalists went out of their way to destroy capitalism, the Irish bankers set some kind of record for destruction. Theo Phanos, a London hedge-fund manager with interests in Ireland, says that "Anglo Irish was probably the world's worst bank. Even worse than the Icelandic banks."

Ireland's financial disaster shared some things with Iceland's. It was created by the sort of men who ignore their wives' suggestions that maybe they should stop and ask for directions, for instance. But while Icelandic males used foreign money to conquer foreign places—trophy companies in Britain, chunks of Scandinavia—the Irish male used foreign money to conquer Ireland. Left alone in a dark room with a pile of money, the Irish decided what they really wanted to do with it was to buy Ireland. *From one another*. An Irish economist named Morgan Kelly, whose estimates of Irish bank losses have been the most prescient, made a back-of-the-envelope calculation that puts the losses of all Irish banks at roughly 106 billion euros. (Think $10 trillion.) At the rate money currently flows into the Irish treasury, Irish bank losses alone would absorb every penny of Irish taxes for at least the next three years.

In recognition of the spectacular losses, the entire Irish economy has almost dutifully collapsed. When you fly into Dublin you are traveling, for the first time in 15 years, against the traffic. The Irish are once again leaving Ireland, along with hordes of migrant workers. In late 2006, the unemployment rate stood at a bit more than 4 percent; now it's 14 percent and climbing toward rates not experienced since the mid-1980s. Just a few years ago, Ireland was able to borrow money more cheaply than Germany; now, if it can borrow at all, it will be charged interest rates nearly 6 percent higher than Germany, another echo of a distant past. The Irish budget deficit—which three years ago was a surplus—is now 32 percent of its G.D.P., the highest by far in the history of the Eurozone. One credit-analysis firm has judged Ireland the third-most-likely country to default. Not quite as risky for the global investor as Venezuela, but riskier than Iraq. Distinctly Third World, in any case.

Yet when I arrived, in early November 2010, Irish politics had a frozen-in-time quality to it. In Iceland, the business-friendly conservative party had been quickly tossed out of power, and the women booted the alpha males out of the banks and government. (Iceland's new prime minister is a lesbian.) In Greece the business-friendly conservative party was also given the heave-ho, and the new government is attempting to create a sense of collective purpose, or at any rate persuade the citizens to quit cheating on their taxes. (The new Greek prime minister is not merely upstanding, but barely Greek.) Ireland was the first European country to watch its entire banking system fail, and yet its business-friendly conservative party, Fianna Fáil (pronounced "Feena Foil"), would remain in office into 2011. There's been no Tea Party movement, no Glenn Beck, no serious protests of any kind. The most obvious change in the country's politics has been the role played by foreigners. The Irish government and Irish banks are crawling with American investment bankers and Australian management consultants and faceless Euro-officials, referred to inside the Department of Finance simply as "the Germans." Walk the streets at night and, through restaurant windows, you see important-looking men in suits, dining alone, studying important-looking papers. In some new and strange way Dublin is now an occupied city: Hanoi, circa 1950. "The problem with Ireland is that you're not allowed to work with Irish people anymore," I was told by an Irish property developer, who was finding it difficult to escape the hundreds of millions of euros in debt he owed.

Ireland's regress is especially unsettling because of the questions it raises about Ireland's former progress: even now no one is quite sure why the Irish suddenly did so well for themselves in the first place. Between 1845 and 1852, during the Great Potato Famine, the country experienced the greatest loss of population in world history—in a nation of eight million, a million and a half people left. Another million starved to death or died from the effects of hunger. Inside of a decade the nation went from being among the most densely populated in Europe to the least. The founding of the Irish state, in 1922, might have offered some economic hope—they could now have their own central bank, their own economic policies—but right up until the end of the 1980s the Irish failed to do what economists expected them to: catch up with their neighbors' standard of living. As recently as the 1980s one million Irish people—a third of the population—lived below the poverty line.

What has occurred in Ireland since then is without precedent in economic history. By the start of the new millennium, the Irish poverty rate was under 6 percent and by 2006 Ireland was one of the richest countries in the world. How did that happen? A bright young Irishman who got himself hired by Bear Stearns in the late 1990s and went off to New York or London for five years returned feeling *poor*. For the better part of a decade there has been quicker money to be made in Irish real estate than in investment banking. How did *that* happen?

For the first time in history, people and money longed to get into Ireland rather than out of it. The most dramatic case in point are the Poles. The Polish government keeps no comprehensive statistics on the movement of its workforce, but its foreign ministry guesstimates that, since the country's admission to the European Union, more than a million Poles have left Poland to work elsewhere. At the peak, in 2006, as many as a quarter-million of them were in Ireland. For the United States to achieve a proportionally distortive demographic effect, it would need to hand green cards to 17 million Mexicans.

How did any of this happen? There are many theories: the elimination of trade barriers, the decision to grant free public higher education, the persistent lowering of the corporate tax rate, beginning in the 1980s, which turned Ireland into a tax haven for foreign corporations. Maybe the most intriguing was offered by a pair of demographers at Harvard, David E. Bloom and David Canning, in a 2003 paper called "Contraception and the Celtic Tiger." Bloom and Canning argued that a major cause of the Irish boom was a dramatic increase in the ratio of working-age to non-working-age Irish brought about by a crash in the Irish birthrate. This had been driven mainly by Ireland's decision, in 1979, to legalize birth control. That is, a nation's fidelity to the Vatican's edicts was inversely proportional to its ability to climb out of poverty: out of the slow death of the Catholic Church arose an economic miracle.

The Harvard demographers admitted their theory explained only part of what had happened. At the bottom of the success of the Irish there remains, even now, some mystery. "It appeared like a miraculous beast materializing in a forest clearing," writes the pre-eminent Irish historian R. F. Foster, "and economists are still not entirely sure why." Not knowing why they were so suddenly so successful, the Irish can perhaps be forgiven for not knowing exactly how successful they were meant to be. They had gone from being abnormally poor to being abnormally rich, without pausing to experience normality. When, in the early 2000s, the financial markets began to offer virtually unlimited credit to all comers—when nations were let into the dark room with the pile of money and asked what they would like to do with it—the Irish were already in a peculiarly vulnerable state of mind. They'd spent the better part of a decade under something very like a magic spell.

A few months after the spell was broken, the short-term parking-lot attendants at Dublin Airport noticed that their daily take had fallen. The lot appeared full; they couldn't understand it. Then they noticed the cars never changed. They phoned the Dublin police, who in turn traced the cars to Polish construction workers, who had bought them with money borrowed from Irish banks. The migrant workers had ditched the cars and gone home. Rumor has it that a few months later the Bank of Ireland sent three collectors to Poland to see what they could get back, but they had no luck. The Poles were untraceable: but for their cars in the short-term parking lot, they might never have existed.

True Love's First Kiss

Morgan Kelly is a professor of economics at University College Dublin, but he did not, until recently, view it as his business to think much about the economy under his nose. He had written a handful of highly regarded academic papers on topics (such as "The Economic Impact of the Little Ice Age") considered abstruse even by academic economists. "I only stumbled on this catastrophe by accident," he says. "I had never been interested in the Irish economy. The Irish economy is tiny and boring." Kelly saw house prices rising madly and heard young men in Irish finance to whom he had recently taught economics try to explain why the boom didn't trouble them. And they troubled him. "Around the middle of 2006 all these former students of ours working for the banks started to appear on TV!" he says. "They were now all bank economists, and they were nice guys and all that. And they were all saying the same thing: 'We're going to have a soft landing.' "

The statement struck him as absurd: real-estate bubbles never end with soft landings. A bubble is inflated by nothing firmer than expectations. The moment people cease to believe that house prices will rise forever, they will notice what a terrible long-term investment real estate has become and flee the market, and the market will *crash*. It was in the nature of real-estate booms to end with crashes—just as it was perhaps in Morgan Kelly's nature to assume that, if his former students were cast on Irish TV as financial experts, something was amiss. "I just started Googling things," he says.

Googling things, Kelly learned that more than a fifth of the Irish workforce was employed building houses. The Irish construction industry had swollen to become nearly a quarter of the country's G.D.P.—compared with less than 10 percent in a normal economy—and Ireland was building half as many new houses a year as the United Kingdom, which had almost 15 times as many people to house. He learned that since 1994 the average price for a Dublin home had risen more than 500 percent. In parts of the city, rents had fallen to less than 1 percent of the purchase price—that is, you could rent a million-dollar home for less than $833 a month. The investment returns on Irish land were ridiculously low: it made no sense for capital to flow into Ireland to develop more of it. Irish home prices implied an economic growth rate that would leave Ireland, in 25 years, three times as rich as the United States. ("A price/earning ratio above Google's," as Kelly put it.) Where would this growth come from? Since 2000, Irish exports had stalled, and the economy had been consumed with building houses and offices and hotels. "Competitiveness didn't matter," says Kelly. "From now on we were going to get rich building houses for each other."

The endless flow of cheap foreign money had teased a new trait out of a nation. "We are sort of a hard, pessimistic people," says Kelly. "We don't look on the bright side." Yet, since the year 2000, a lot of people had behaved as if each day would be sunnier than the last. The Irish had discovered optimism.

Their real-estate boom had the flavor of a family lie: it was sustainable so long as it went unquestioned, and it went unquestioned so long as it appeared sustainable. After all, once the value of Irish real estate came untethered from rents there was no value for it that couldn't be justified. The 35 million euros Irish entrepreneur Denis O'Brien paid for an impressive manor house on Dublin's Shrewsbury Road sounded like a lot until a trust controlled by the real-estate developer Sean Dunne's wife reportedly paid 58 million euros for a 4,000-square-foot fixer-upper just down the street. But the minute you compared the rise in prices to real-estate booms elsewhere and at other times, you re-anchored the conversation; you biffed the narrative. The comparisons that sprung to Morgan Kelly's mind were with the housing bubbles in the Netherlands in the 1970s and Finland in the 1980s, but it almost didn't matter which examples he picked: the mere idea that Ireland was not *sui generis* was the panic-making thought. "There is an iron law of house prices," he wrote. "The more house prices rise relative to income and rents, the more they subsequently fall."

The problem for Kelly, once he had these thoughts, was what to do with them. "This isn't my day job," he says. "I was working on medieval-population theory."

By the time I got to him, Kelly had angered and alienated the entire Irish business and political establishments, but he himself is neither angry nor alienated, nor even especially public. He's not the pundit type. He works in an office built when Irish higher education was conducted on linoleum floors, beneath fluorescent lights, surrounded by metal bookshelves, and generally felt more like a manufacturing enterprise than a prep school for real estate and finance—and he likes it. He's puckish, unrehearsed, and apparently—though in Ireland one wants to be careful about using this word—sane. Though not exactly self-effacing, he is clearly more comfortable talking and thinking about subjects other than himself. He spent years in graduate school, collecting a doctorate from Yale, and yet somehow retained an almost child-like curiosity. “I was in this position—sort of being a passenger on this ship,” he says. “And you see a big iceberg. And so you go and ask the captain: Is that an iceberg?”

His warning to his ship’s captain took the form of his first-ever newspaper article. Its bottom line: “It is not implausible that [Irish real-estate] prices could fall—relative to income—by 40 to 50 per cent.” (They did.) He sent his piece to the small-circulation *Irish Times*. “It was a whim,” he says. “I’m not even sure that I believed what I was saying at the time. My position has always been ‘You can’t predict the future.’ ” As it happened, Kelly had predicted the future with uncanny accuracy, but to believe what he was saying you had to accept that Ireland was not some weird exception in human financial history. “It had no impact,” Kelly says of his piece. “The response was general amusement. It was *What will these crazy eggheads come up with next?* sort of stuff.”

What the crazy egghead came up with next was the obvious link between Irish real-estate prices and Irish banks. After all, the vast majority of the construction was being funded by Irish banks. If the real-estate market collapsed, they would be on the hook for the losses. “I eventually figured out what was going on,” says Kelly. “The average value and number of new mortgages peaked in summer 2006. But lending standards were clearly falling after this.” The banks continued to make worse loans, but people borrowing the money to buy houses were growing wary. “What was happening,” says Kelly, “is that a lot of people were getting cold feet.” The consequences for Irish banks—and the economy—of the inevitable shift in market sentiment would be catastrophic. The banks’ losses would lead them to slash their lending to actually useful businesses. Irish citizens in hock to their banks would cease to spend. And, perhaps worst of all, new construction, on which the entire economy was now premised, would cease.

Kelly wrote his second newspaper article, more or less predicting the collapse of the Irish banks. He pointed out that in the last decade they and the economy had fundamentally changed. In 1997 the Irish banks were funded entirely by Irish deposits. By 2005 they were getting most of their money from abroad. The small German savers who ultimately supplied the Irish banks with deposits to re-lend in Ireland could take their money back with the click of a computer mouse. Since 2000, lending to construction and real estate had risen from 8 percent of Irish bank lending (the European norm) to 28 percent. One hundred billion euros—or basically the sum total of all Irish public bank deposits—had been handed over to Irish property developers and speculators. By 2007, Irish banks were lending 40 percent more to property developers than they had to the *entire Irish population* seven years earlier. “You probably think that the fact that Irish banks have given speculators €100 billion to gamble with, safe in the knowledge that taxpayers will cover most losses, is a cause of concern to the Irish Central Bank,” Kelly wrote, “but you would be quite wrong.”

This time Kelly sent his piece to a newspaper with a far bigger circulation, the *Irish Independent*. The Independent’s editor wrote back to say he found the article offensive and wouldn’t publish it. Kelly next turned to *The Sunday Business Post*, but the editor there just sat on the piece. The journalists were following the bankers’ lead and conflating a positive outlook on real-estate prices with a love of country and a commitment to Team

Ireland. ("They'd all use this same phrase, 'You're either for us or against us,' " says a prominent bank analyst in Dublin.) Kelly finally went back to *The Irish Times*, which ran his article in September 2007.

A brief and, to Kelly's way of thinking, pointless controversy ensued. The public-relations guy at University College Dublin called the head of the department of economics and asked him to find someone to write a learned attack on Kelly's piece. (The department head refused.) A senior executive at Anglo Irish Bank, Matt Moran, called to holler at Kelly. "He went on about how 'the real-estate developers who are borrowing from us are so incredibly rich they are only borrowing from us as a favor.' I wanted to argue, but we ended up having lunch. This is Ireland, after all." Kelly also received a flurry of worried-sounding messages from financial people in London, but of these he was dismissive: "I get the impression there's this pool of analysts in the financial markets who spend all day sending scary e-mails to each other." He never found out how much influence his little newspaper piece exerted on the minds of people who mattered.

It wasn't until almost exactly one year later, on September 29, 2008, that Morgan Kelly became the startled object of popular interest. The stocks of the three main Irish banks, Anglo Irish, A.I.B., and Bank of Ireland, had fallen by between a fifth and a half in a single trading session, and a run on Irish bank deposits had started. The Irish government was about to guarantee all the obligations of the six biggest Irish banks. The most plausible explanation for all of this was Morgan Kelly's narrative: the Irish economy had become a giant Ponzi scheme and the country was effectively bankrupt. But it was so starkly at odds with the story peddled by Irish government officials and senior Irish bankers—that the banks merely had a "liquidity" problem and that Anglo Irish was "fundamentally sound"—that the two could not be reconciled. The government had a report thrown together by Merrill Lynch, which declared that "all of the Irish banks are profitable and well capitalised." The difference between this official line and Kelly's was too vast to be split. You believed either one or the other, and until September 2008, who was going to believe this guy holed up in his office wasting his life writing about the impact of the Little Ice Age on the English population? "I went on TV," says Kelly. "I'll never do it again."

Kelly's colleagues in the University College economics department watched his transformation from serious academic to amusing crackpot to disturbingly prescient guru with interest. One was Colm McCarthy, who, in the Irish recession of the late 1980s, had played a high-profile role in slashing government spending, and so had experienced the intersection of finance and public opinion. In McCarthy's view, the dominant narrative inside the head of the average Irish citizen—and his receptiveness to the story Kelly was telling—changed at roughly 10 o'clock in the evening on October 2, 2008. On that night, Ireland's financial regulator, a lifelong Central Bank bureaucrat in his 60s named Patrick Neary, came live on national television to be interviewed. The interviewer sounded as if he had just finished reading the collected works of Morgan Kelly. Neary, for his part, looked as if he had been dragged from a hole into which he badly wanted to return. He wore an insecure little mustache, stammered rote answers to questions he had not been asked, and ignored the ones he had been asked.

A banking system is an act of faith: it survives only for as long as people believe it will. Two weeks earlier the collapse of Lehman Brothers had cast doubt on banks everywhere. Ireland's banks had not been managed to withstand doubt; they had been managed to exploit blind faith. Now the Irish people finally caught a glimpse of the guy meant to be safeguarding them: the crazy uncle had been sprung from the family cellar. Here he was, on their televisions, insisting that the Irish banks were “resilient” and “more than adequately capitalized” … when everyone in Ireland could see, in the vacant skyscrapers and empty housing developments around them, evidence of bank loans that were not merely bad but insane. “What happened was that everyone in Ireland had the idea that somewhere in Ireland there was a little wise old man who was in charge of the money, and this was the first time they’d ever seen this little man,” says McCarthy. “And then they saw him and said, *Who the fuck was that??? Is that the fucking guy who is in charge of the money???* That’s when everyone panicked.”

The Drinks Cabinet

On the morning in early November when the Irish government planned to unveil a brutal new budget, I take my seat in the visitors’ gallery of the Irish Parliament. Beside me sits an aide to Joan Burton, who, as the Labour Party’s financial spokesperson, was at the time a fair bet to become the next minister of finance, the unnatural heir to an unholy mess. Down on the floor the seats are mostly empty, but a handful of politicians, Burton included, discuss what they have been discussing without intermission for the past two years: the nation’s financial crisis.

The first thing you notice when you watch the Irish Parliament at work is that the politicians say everything twice, once in English and once in Gaelic. As there is no one in Ireland who does not speak English and a vast majority who do not speak Gaelic, this comes across as a forced gesture that wastes a great deal of time. I ask several Irish politicians if they speak Gaelic, and all offer the same uneasy look and hedgy reply: “Enough to get by.” The politicians in Ireland speak Gaelic the way the Real Housewives of Orange County speak French. To ask “Why bother to speak it at all?” is of course to miss the point. Everywhere you turn you see both emulation of the English and a desire, sometimes desperate, for distinction. The Irish insistence on their Irishness—their conceit that they’re more devoted to their homeland than the typical citizen of the world is—has an element of bluster about it, from top to bottom. At the top are the many very rich Irish people who emit noisy patriotic sounds but arrange officially to live elsewhere so they don’t have to pay tax in Ireland; at the bottom, the waves of emigration that define Irish history. The Irish people and their country are like lovers whose passion is heightened by their suspicion that they will probably wind up leaving each other. Their loud patriotism is a cargo ship for their doubt.

On this day, in addition to awaiting word on the budget, the Dáil (pronounced “Doyle”), as the Irish call their House of Commons, has before it a vote on whether to hold elections to fill its four empty seats. The ruling party, Fianna Fáil, holds a slim majority of two seats and, because they are universally believed to have created a financial catastrophe, an approval rating of 15 percent. If the elections were held today, they’d be tossed from power—in itself a radical idea, as they have more or less ruled Ireland since its founding as an independent state. Yet they have successfully resisted the call to fill the empty seats.

A bell rings for a vote, and Irish politicians stream in. A few minutes before the vote, the doors to their chamber will be closed and guarded. A politician who is late is a politician who cannot vote. A glass barrier separates the visitors’ gallery and the floor: I ask my tour guide about it. “It’s not to stop people from throwing things at their government," she says, then goes on to explain. Some years ago an Irish politician came late, after the doors had been locked. He ran up to the visitors' gallery, jumped down from it into the press gallery, 10 feet below, and from there rappelled down the wall to the floor. They allowed the vote, but put up the glass barrier. They disapproved of the loophole, but rewarded the guy with the wit to exploit it. This, she claims, is very Irish.

The first to take his seat is Bertie Ahern, the prime minister from June 1997 until May 2008 and Political Perp No. 1. Ahern is known both for a native shrewdness and for saying lots of spectacularly dumb-sounding things that are fun to quote. Tony Blair had credited him with a kind of genius in how he brokered the Northern Ireland peace negotiations; on the other hand, seeking to explain the financial crisis, he actually said, "Lehman's was a world investment bank. They had testicles everywhere." Ahern spent his last days in office denying he'd accepted bribes from property developers, at least in part because so much of what he did in office seemed justified only if he were being paid by property developers to do it. But Bertie Ahern too obviously believed in the miracle of Irish real estate. After Morgan Kelly published his article predicting the collapse of the Irish banks, for instance, Ahern famously responded to a question about it on national radio by saying, "Sitting on the sidelines, cribbing and moaning is a lost opportunity. I don't know how people who engage in that don't commit suicide."

Now Ahern is just another Irish backbencher, with a hangdog slouch and a face mottled by broken capillaries. To fill the empty hours, he's taken a job writing a sports column for the Rupert Murdoch tabloid *News of the World*, which might just be the least respectable job in global journalism. Ahern's star, such as it was, has fallen.

When the Irish land boom flipped from miracle to catastrophe, a lot of important people's status, along with perhaps their sense of themselves, flipped with it. An Irish stockbroker told me that many former bankers, some of whom he counts as clients, "actually physically look different." He'd just seen the former C.E.O. of A.I.B., Eugene Sheehy, in a restaurant, being heckled by other diners. Sheehy once had been a smooth and self-possessed character, whose authority was beyond question. "If you saw the guy now," says my stockbroker friend, "you'd buy him a cup o' tea."

The Irish real-estate bubble was different from the American version in many ways: it wasn't disguised, for a start; it didn't require a lot of complicated financial engineering beyond the understanding of mere mortals; it also wasn't as cynical. There aren't a lot of Irish financiers or real-estate people who have emerged with a future. In America the banks went down, but the big shots in them still got rich; in Ireland the big shots went down with the banks. Sean Fitzpatrick, a working-class kid turned banker, who built Anglo Irish Bank more or less from scratch, is widely viewed as the chief architect of Ireland's misfortune: today he is not merely bankrupt but unable to show his face in public. Mention his name and people with no interest in banking will tell you with disgust how he disguised millions of euros in loans made to himself by his own bank. What they don't mention is what he did with the money: invested it in Anglo Irish bonds! When the bank failed Fitzpatrick was listed among its creditors, having (in April 2008!) purchased five million euros of Anglo Irish subordinated floating-rate notes.

The top executives of the three big banks all operated in a similar spirit: they bought shares in their own companies right up to the moment of collapse, and continued to pay dividends, as if they had capital to burn. Virtually all of the big Irish property developers who behaved recklessly signed personal guarantees for their loans. It's widely assumed that they must be hiding big piles of money somewhere, but the evidence thus far suggests that they are not. The Irish Property Council has counted at least 29 suicides by property developers and construction workers since the crash—in a country where suicide often goes unreported and undercounted. "I said to all the guys, 'Always take money off the table.' Not many of them took money off the table," says Dermot Desmond, an Irish billionaire, who made his fortune from software in the early 1990s, and so counts here as old money.

The Irish nouveau riche may have created a Ponzi scheme, but it was a Ponzi scheme in which they themselves believed. So too for that matter did some large number of ordinary Irish citizens, who bought houses for fantastic sums. Ireland's 87 percent rate of home-ownership is among the highest in the world. There's no such thing as a non-recourse home mortgage in Ireland. The guy who pays too much for his house is not allowed to simply hand the keys to the bank and walk away. He's on the hook, personally, for whatever he borrowed. Across Ireland, people are unable to extract themselves from their houses or their bank loans. Irish people will tell you that, because of their sad history of dispossession, owning a home is not just a way to avoid paying rent but a mark of freedom. In their rush to freedom, the Irish built their own prisons. And their leaders helped them to do it.

Just before the closing bell, the two men who sold the Irish people on the notion that they, the people, were responsible not merely for their own disastrous financial decisions but also for the ones made by their banks arrive in the chamber: Prime Minister Brian Cowen and Finance Minister Brian Lenihan. Along with the leader of the opposition, and the second in command of their own party, both are offspring of politicians who died in office: Irish politics is a family affair. Cowen happens also to have been the minister of finance from 2004 until mid-2008, when most of the bad stuff happened. He is not an obvious Leader of Men. His movements are sullen and lumbering, his face numbed by corpulence, his natural resting expression a look of confusion. One morning a few weeks before, he went on national radio sounding, to well-trained Irish ears, drunk. To my less trained ones he sounded merely groggy, but the public is in no mood to cut him a break. (Four different Irish people told me, on great authority, that Cowen had faxed Ireland's 440-billion-euro bank guarantee into the European Central Bank from a pub.) And the truth is, if you were to design a human being to maximize the likelihood that people would assume he drank too much, you'd have a hard time doing better than the Irish prime minister. Lenihan, who follows on Cowen's bovine heels, comes across, by comparison, as a decathlete in peak condition.

On this day, incredibly yet predictably, the Parliament decides not to hold a vote to fill three of the four empty seats. Then they adjourn, and I spend an hour with Joan Burton. Of the major parties in Ireland, Labour offers the closest thing to a dissenting opinion and a critique of Irish capitalism. As one of only 18 members of the Dáil who voted against guaranteeing the banks' debts, Burton retains rare credibility. And in an hour of chatting about this and that, she strikes me as straight, bright, and basically good news. But her role in the Irish drama is as clear as Morgan Kelly's: she's the shrill mother no one listened to. She speaks in exclamation points with a whiny voice that gets on the nerves of every Irishman—to the point where her voice is parodied on national radio. When I ask her what she would do differently from what the Irish government is doing, even she is stumped. Like every other Irish politician, she is now at the mercy of forces beyond her control. The Irish bank debt is now Irish government debt, and any suggestion of default will only raise the cost of borrowing the foreign money they now can't live without. "Do you know that Irish people are now experts on bonds?" says Burton. "Yes, they now say 100 basis points rather than 1 percent! They have developed a new vocabulary!"

As the scope of the Irish losses has grown clearer, private investors have been less and less willing to leave even overnight deposits in Irish banks and are completely uninterested in buying longer-term bonds. The European Central Bank has quietly filled the void: one of the most closely watched numbers in Europe has been the amount the E.C.B. has loaned to the Irish banks. In late 2007, when the markets were still suspending disbelief, the banks borrowed 6.5 billion euros. By December of 2008 the number had jumped to 45 billion. As Burton spoke to me, the number was still rising from a new high of 86 billion. That is, the Irish banks have borrowed 86 billion euros from the European Central Bank to repay private creditors. In September 2010 the last big chunk of money the Irish banks owed the bondholders, 26 billion euros, came due. Once the bondholders were paid off in full, a window of opportunity for the Irish government closed. A default of the banks now would be a default not to private investors but a bill presented directly to European governments. This, by the way, is why there are so many important-looking foreigners in Dublin, dining alone at night. They're here to make sure someone gets his money back.

One measure of how completely the Irish can't imagine offending their foreign financial rulers is how quickly Burton declines to contemplate such a default. She bears no responsibility for the banks' private debts, and yet, when we creep up on the possibility of simply walking away from them, she veers off. Actually, she ups and leaves. "Oh, I have to go," she says. "I have to meet the finance minister with the bad news." Brian Lenihan has called a private meeting with the opposition, so that its leaders will be the first to hear of the Draconian new Irish budget. This meeting is held not inside the Parliament, where the media can be kept at arm's length, but in a nearby building, where the media are allowed to congregate. "We tried to have it in here, but he moved it outside," says Burton. "He's taken to bringing us in to tell us the bad news first so that when we walk out we're the ones announcing it to the media." She smiles. "He's tricky that way."

Ireland's Choice

Brian Lenihan is the last remaining Irish politician anywhere near power whose mere appearance does not cause people on the streets of Dublin to explode with either scorn or laughter. He came to the job just months before the crisis and so escapes blame for its origins. He's a barrister, not a financial or real-estate person, with a proven ability to earn a good living without being bribed by property developers. He comes from a family of political people who are thought to have served honorably, or at any rate not used politics to enrich themselves. And in December 2009 he was diagnosed with pancreatic cancer. Anyone who has been anywhere near an Irish Catholic family knows the member who has had the most recent run of bad luck enjoys exalted status—the right to do pretty much whatever he wants, while everyone else squirms in silence. Since news of Lenihan's illness broke—just days after he'd learned of it himself, rushing him into telling his children—he has minimized his suffering. Underlying the public-opinion polls that show the Irish feel a lot better about the minister of finance than they do about other politicians in his party is a common, unspoken understanding of his bravery.

Brian Lenihan is also, as Joan Burton points out, tricky. It's racing up on eight in the evening when I meet him in a Department of Finance conference room. He has spent most of his day defending the harshest spending cuts and tax hikes in Irish history to Irish politicians, without offering any details about who, exactly, will pay for the banks' losses. (He's waiting to do that until after the single by-election the Dáil authorized is held.) He smiles. "Why is everyone so interested in Ireland?" he asks almost innocently. "There's really far too much interest in us right now."

"Because you're interesting?" I say.

"Oh no," he says seriously. "We're not, really."

He proceeds to make the collapse of the Irish economy as uninteresting as possible. This awkward social responsibility—normalizing a freak show—is now a meaningful part of the job of being Ireland's finance minister. At just the moment the crazy uncle leapt from the cellar, the drunken aunt lurched through the front door and, in front of the entire family and many important guests, they carved each other to bits with hunting knives. Daddy must now reassure eyewitnesses that they didn't see what they think they saw.

But the physical evidence that something deeply weird just happened in Ireland is still too conspicuous. A mile from the conference table where we take our seats is a moonscape of vast, two-year-old craters from which office parks were once meant to rise. There are fully finished skyscrapers that sit empty, water pooling on their lobby floors. There's a skeleton of a tower, cranes resting on either side like parentheses, which was meant to house Anglo Irish Bank. There's a city dump for which a developer paid 412 million euros in 2006—and which is now, when you include the cleanup costs, valued at zero. "Ireland is very unusual," says William Newsom, who has more than 30 years of experience valuing commercial real estate for Savills in London. "There are whole swaths of either undeveloped land with planning permission or even partially developed sites which, I believe, for practical purposes have zero value." The peak of the Irish madness is frozen in time, for all to see. There's even an empty Starbucks, in the heart of what was meant to be a global financial center to rival London's, where a carton of low-fat milk curdles beside a silver barista pitcher. The finance minister might as well be standing in Pompeii and saying that actually the volcano wasn't really worth mentioning. *Just a little lava!*

"This isn't Iceland" is what Lenihan actually says. "We're not a hedge fund that's populated by 300,000 farmers and fishermen. Ireland is not going back to the 80s or the 90s. This is all in a much narrower band." And then he goes off on a soliloquy, the main point of which is: *Ireland's problems are solvable, and I am in control of the situation.*

Back in September 2008, however, there was evidence that he wasn't. On September 17 the financial markets were in turmoil. Lehman Brothers had failed two days earlier, shares of Irish banks were plummeting, and big corporations were withdrawing their deposits from them. Late that evening Lenihan phoned David McWilliams, a former senior European economist with UBS in Zurich and London, who had moved back home to Dublin and turned himself into a writer and media personality. McWilliams had been loudly skeptical about the Irish real-estate boom. Two weeks earlier he had appeared on a radio show with Lenihan, and Lenihan appeared to him entirely untroubled by the turmoil in the financial markets.

Now he wanted to drive out to McWilliams's house and ask his advice on what to do about the Irish banks.

The peculiar scene is described in McWilliams's charmingly indiscreet book, *Follow the Money*. Lenihan arrives at the McWilliams residence, a 45-minute drive from Dublin, marches through to the family kitchen, and pulls a hunk of raw garlic out of his jacket pocket. "He kicked off by saying if his officials knew he was here in my house, there'd be war," writes McWilliams. The finance minister stayed until two in the morning, drinking tea and anxiously picking McWilliams's brain. McWilliams came away with the feeling that the minister didn't entirely trust the advice he was getting from the people around him—and that he was not merely worried but confused. McWilliams told me that he sensed that the mental state of the Department of Finance was "complete chaos."

A week later the department hired investment bankers from Merrill Lynch to advise it. Some might say that if you were asking Merrill Lynch for financial advice in 2008 you were already beyond hope, but that is not entirely fair. The bank analyst who had been most prescient and interesting about the Irish banks worked for Merrill Lynch. His name was Philip Ingram. In his late 20s, and a bit quirky—at the University of Cambridge he had studied zoology—Ingram had done something original and useful: he'd shined a new light on the way Irish banks lent against commercial real estate.

The commercial-real-estate loan market is generally less transparent than the market for home loans. Deals between bankers and property developers are one-offs, on terms unknown to all but a few insiders. The parties to any loan always claim it is prudent: a bank analyst has little choice but to take them at their word. But Ingram was skeptical of the Irish banks. He had read Morgan Kelly's newspaper articles and even paid Kelly a visit in his university office. To Ingram's eyes, there undoubtedly appeared to be a vast difference between what the Irish banks were saying and what was really happening. To get at it he ignored what they were saying and went looking for knowledgeable insiders in the commercial-property market. He interviewed them, as a journalist might. On March 13, 2008, six months before the Irish real-estate Ponzi scheme collapsed, Ingram published a report, in which he simply quoted verbatim what British market insiders had told him about various banks' lending to commercial real estate. The Irish banks were making far riskier loans in Ireland than they were in Britain, but even in Britain, the report revealed, they were the nuttiest lenders around: in that category, Anglo Irish, Bank of Ireland, and A.I.B. came, in that order, first, second, and third.

For a few hours the Merrill Lynch report was the hottest read in the London financial markets, until Merrill Lynch retracted it. Merrill had been a lead underwriter of Anglo Irish's bonds and the corporate broker to A.I.B.: they'd earned huge sums of money off the growth of Irish banking. Moments after Phil Ingram hit the Send button on his report, the Irish banks called their Merrill Lynch bankers and threatened to take their business elsewhere. The same executive from Anglo Irish who had called to scream at Morgan Kelly called a Merrill research analyst to scream some more. Ingram's superiors at Merrill Lynch hauled him into meetings with in-house lawyers, who toned down the report's pointed language and purged it of its damning quotes from market insiders, including its many references to Irish banks. And from that moment everything Ingram wrote about Irish banks was edited, and bowdlerized by Merrill Lynch's lawyers. At the end of 2008, Merrill fired him. One of Ingram's colleagues, a fellow named Ed Allchin, was also made to apologize to Merrill's investment bankers individually for the trouble he'd caused them by suggesting there was still money to be made on shorting Irish banks.

It would have been difficult for Merrill Lynch's investment bankers not to know, at some level, that in a reckless market the Irish banks had acted with a recklessness all their own. But in the seven-page memo to Brian Lenihan—for which the Irish taxpayer forked over to Merrill Lynch seven million euros—they kept whatever reservations they may have had to themselves. "All of the Irish banks are profitable and well capitalised," wrote the Merrill Lynch advisers, who then went on to suggest that the banks' problem wasn't at all the bad loans they had made but the panic in the market. The Merrill Lynch memo listed a number of possible responses the Irish government might have to any run on Irish banks. It refrained from explicitly recommending one course of action over another, but its analysis of the problem implied that the most sensible thing to do was guarantee the banks. After all, the banks were fundamentally sound. Promise to eat all losses, and markets would quickly settle down—and the Irish banks would go back to being in perfectly good shape. As there would be no losses, the promise would be free.

What exactly was said in meetings on the night of September 29, 2008, remains, amazingly, something of a secret. The government has refused Freedom of Information Act-type requests for records. But gathered around the conference tables inside the prime minister's offices was an array of top government and finance officials, including Lenihan, Cowen, the attorney general, and bank officials and regulators. Eventually they brought in the heads of the two yet-to-be-disgraced big Irish banks: A.I.B. and Bank of Ireland. Evidently they either lied to Brian Lenihan about the extent of their losses or didn't know themselves what those were. Or both. "At the time they were all saying the same thing," an Irish bank analyst tells me. " 'We don't have any subprime.' " What they meant was that they had avoided lending to American subprime borrowers; what they neglected to mention was that, in the general frenzy, all of Ireland had become subprime. Otherwise sound Irish borrowers had been rendered unsound by the size of the loans they had taken out to buy inflated Irish property. That had been the strangest consequence of the Irish bubble: to throw a nation which had finally clawed its way out of centuries of indentured servitude back into it.

The report from Merrill Lynch, which touted the banks as fundamentally sound, buttressed whatever story they told the finance minister. Ireland's financial regulator, Patrick Neary, had echoed Merrill's judgment. Morgan Kelly was still viewed as a zany egghead; at any rate, no one who took him seriously was present in the room. Anglo Irish's stock had fallen 46 percent that day; A.I.B.'s had fallen 17 percent; there was a fair chance that when the stock exchange reopened one or both of them would go out of business. In the general panic, absent government intervention, the other banks would have gone down, too. Lenihan faced a choice: Should he believe the people immediately around him or the financial markets? Should he trust the family or the experts? He stuck with the family. Ireland gave its promise. And the promise sank Ireland.

Even at the time, the decision seemed a bit odd. The Irish banks, like the big American banks, managed to persuade a lot of people that they were so intertwined with their economy that their failure would bring down a lot of other things, too. But they weren't, at least not all of them. Anglo Irish Bank had only six branches in Ireland, no A.T.M.'s, and no organic relationship with Irish business except the property developers. It lent money to people to buy land and build: that's practically all it did. It did this mainly with money it had borrowed from foreigners. It was not, by nature, systemic. It became so only when its losses were made everyone's.

In any case, if the Irish wanted to save their banks, why not guarantee just the deposits? There's a big difference between depositors and bondholders: depositors can flee. The immediate danger to the banks was that savers who had put money into them would take their money out, and the banks would be without funds. The investors who owned the roughly 80 billion euros of Irish bank bonds, on the other hand, were stuck. They couldn't take their money out of the bank. And their 80 billion euros very nearly exactly covered the eventual losses inside the Irish banks. These private bondholders didn't have any right to be made whole by the Irish government. The bondholders didn't even *expect* to be made whole by the Irish government. Not long ago I spoke with a former senior Merrill Lynch bond trader who, on September 29, 2008, owned a pile of bonds in one of the Irish banks. He'd already tried to sell them back to the bank for 50 cents on the dollar—that is, he'd offered to take a huge loss, just to get out of them. On the morning of September 30 he awakened to find his bonds worth 100 cents on the dollar. The Irish government had guaranteed them! He couldn't believe his luck. Across the financial markets this episode repeated itself. People who had made a private bet that went bad, and didn't expect to be repaid in full, were handed their money back—from the Irish taxpayer.

In retrospect, now that the Irish bank losses are known to be world-historically huge, the decision to cover them appears not merely odd but suicidal. A handful of Irish bankers incurred debts they could never repay, of something like 100 billion euros. They may have had no idea what they were doing, but they did it all the same. Their debts were private—owed by them to investors around the world—and still the Irish people have undertaken to repay them as if they were obligations of the state. For two years they have labored under this impossible burden with scarcely a peep of protest. What's more, all of the policy decisions since September 29, 2008, have set the hook more firmly inside the mouths of the Irish public. In January 2009 the Irish government nationalized Anglo Irish and its 34-billion-euro (and mounting) losses. In late 2009 they created the Irish version of the tarp program, but, unlike the U.S. government (which ended up buying stakes in the banks), they actually followed through on the plan and are in the process of buying 70 billion euros of crappy assets from the Irish banks.

A single decision sank Ireland, but when I ask Lenihan about it he becomes impatient, as if it isn't a fit topic for conversation. It wasn't much of a decision, he says, as he had no choice. The Irish financial markets are governed by rules rooted in English law, and under English law bondholders enjoy the same status as ordinary depositors. That is, it was against the law to protect the little people with deposits in the bank without also saving the big investors who owned Irish bank bonds.

This rings a bell. When U.S. Treasury secretary Hank Paulson realized that allowing Lehman Brothers to fail was viewed not as brave and principled but catastrophic, he, too, claimed he'd done what he'd done because the law gave him no other option. But in the heat of the crisis, Paulson had neglected to mention the law just as Lenihan didn't bring up the law requiring him to pay off the banks' private lenders until long after he'd done it. In both cases the explanation was legalistic: narrowly true, but generally false. The Irish government always had the power to impose losses on even the senior bondholders, if it wanted to. “Senior people have forgotten that the government has certain powers,” as Morgan Kelly puts it. “You can conscript people. You can send them off to certain death. *You can change the law*.”

On September 30, 2008, in the heat of the moment, Lenihan gave the same reason for guaranteeing the banks’ debts that Merrill Lynch had given him: to prevent “contagion.” Tell financial markets that a loan to an Irish bank was a loan to the Irish government and investors would calm down. For who would doubt the credit of the government? A year and a half later, when suspicions arose that the banks’ losses were so vast they might bankrupt the government, Lenihan offered a new reason for the government’s gift to private investors: the bonds were owned by Irishmen. Up until then the government’s line had been that they had no idea who owned the bank’s bonds. Now they said that, if the Irish government didn’t eat the losses, Irish credit unions and insurance companies would pay the price. The Irish, in other words, were simply saving the Irish. This wasn’t true, and it provoked a cry of outrage from the credit unions, which said that they owned hardly any of the bonds. A political investigative blog called Guido Fawkes somehow obtained a list of the Anglo Irish foreign bondholders: German banks, French banks, German investment funds, Goldman Sachs. (Yes! Even the Irish did their bit for Goldman.)

Across Europe just now men who thought their title was “minister of finance” have woken up to the idea that their job is actually government bond salesman. The Irish bank losses have obviously bankrupted Ireland, but the Irish finance minister does not want to talk about that. Instead he mentions to me, several times, that Ireland is “fully funded” until next summer, which is to say that the Irish government has enough cash in the bank to pay its bills until next July. It isn’t until I’m on my way out the door that I realize how trivial this point is. The blunt truth is that, since September 2008, Ireland has been, every day, more at the mercy of her creditors. To remain afloat, Ireland’s biggest banks, which are now owned by the Irish government, have taken short-term loans from the European Central Bank amounting to 86 billion euros. Two weeks later Lenihan will be compelled by the European Union to invite the I.M.F. into Ireland, relinquish control of Irish finances, and accept a bailout package. The Irish public doesn’t yet know it, but, even as we sit together at his conference table, the European Central Bank has lost interest in lending to Irish banks. And soon Brian Lenihan will stand up in the Irish Parliament and offer a fourth explanation for why private investors in Ireland’s banks cannot be allowed to take losses. “There is simply no way that this country, whose banks are so dependent on international investors, can unilaterally renege on senior bondholders against the wishes of the E.C.B.,” he will say.

But there was once a time when the wishes of the E.C.B. didn’t matter to Ireland. That time was before the Irish government used E.C.B. money to pay off the foreign bondholders in Irish banks.

Bring Me a Little Ire

Once a decade I experiment with driving on the wrong side of the road, and wind up destroying dozens of side-view mirrors on cars parked on the left. When I went looking for some Irish person to drive me around, the result was a fellow I will call Ian McRory (he asked me not to use his real name in this article), who is Irish, and a driver, but pretty clearly a lot of other things, too. Ian has what appears to be a military-grade navigational system, for instance, and surprising knowledge about abstruse and secretive matters. "I do some personal security, and things of that nature," he says, when I ask him what else he does other than drive financial-disaster tourists back and forth across Ireland, and leaves it at that. Later, when I mention the name of a formerly rich Irish property developer, he says, casually, as if it were all in a day's work, that he had let himself into the fellow's vacation house and snapped photographs of the interior, "for a man I know who is thinking of buying it."

Ian turns out to have a good feel for what I, or anyone else, might find interesting in rural Ireland. He will say, for example, "Over there, that's a pretty typical fairy ring," and then explain, interestingly, that these circles of stones or mushrooms that occur in Irish fields are believed by local farmers to house mythical creatures. "Irish people actually believe in fairies?," I ask, straining but failing to catch a glimpse of the typical fairy ring to which Ian has just pointed. "I mean, if you walked right up and asked him to his face, 'Do you believe in fairies?' most guys will deny it," he replies. "But if you ask him to dig out the fairy ring on his property, he won't do it. To my way of thinking, that's believing." And it is. It's a tactical belief, a belief that exists because the upside to disbelief is too small, like the former Irish belief that Irish land prices would rise forever.

The highway out of Dublin runs past abandoned building sites and neighborhoods without people in them. "We can stop at ghost estates on the way," says Ian, as we clear the suburbs of Dublin. "But if we stop at every one of them, we'll never get out of here."

We pass wet green fields carved by potato farmers into small plots, and every now and then a small village, but even the inhabited places feel desolate. The Irish countryside remains a place people flee. Among its drawbacks, from the outsider's point of view, is the weather. "It's always either raining or about to rain," says Ian. "I drove a black guy from Africa around the country once. It's raining the whole time. He says to me, 'I don't know why people live here. It's like living under an elephant.' "

The wet hedgerows cultivated along the highway to hide the wet road from the wet houses now hide the wet houses from the wet road. picture of the village of the future, reads a dripping billboard with a picture of a village that will never be built. Randomly selecting a village that appears to be more or less finished, we pull off the road. It's an exurb, without a suburb. GLEANN RIADA, reads the self-important sign in front. It's a few dozen houses in a field, attached to nothing but each other, ending with unoccupied slabs of concrete buried in weeds. You can see the moment the money stopped flowing from the Irish banks, the developer folded his tent, and the Polish workers went home. "The guys who laid this didn't even believe it was supposed to be finished," says Ian. The concrete slab, like the completed houses, is riven by the kind of cracks you see in a house after a major earthquake, but in this case are caused by carelessness. Inside, the floors are littered with trash and debris, the fixtures have been ripped out of the kitchen, and mold spreads spider-like across the walls. The last time I saw an interior like this was in New Orleans after Katrina.

In October, Ireland's Department of the Environment published its first audit of the country's new housing stock after inspecting 2,846 housing developments, many of them called "ghost estates" because they're empty. Of the nearly 180,000 units that had been granted planning permission, the audit found that only 78,195 were completed and occupied. Others are occupied but remain unfinished. Virtually all construction has now ceased. There aren't enough people in Ireland to fill the new houses; there were never enough people in Ireland to fill the new houses. Ask Irish property developers who they imagined was going to live in the Irish countryside, and they all laugh the same uneasy laugh and offer up the same list of prospects: Poles; foreigners looking for second homes; entire departments of Irish government workers, who would be shipped to the sticks in a massive, planned relocation that somehow never materialized; the diaspora of 70 million human beings with a genetic link to Ireland. The problem that no one paid all that much attention to during the boom was that people from outside Ireland, even those with a genetic link to the place, have no interest in owning houses there. “This isn’t an international property market,” says an agent at Savills’s Dublin branch named Ronan O’Driscoll. “There aren’t any foreign buyers. There were never foreign buyers.” Dublin was never London. The Irish countryside will never be the Cotswolds.

Which way entire nations jumped when the money was made freely available to them obviously told you a lot about them: their desires, their constraints, their secret sense of themselves. How they reacted when the money was taken away was equally revealing. In Greece the money was borrowed by the state: the debts are the debts of the Greek people, but the people want no part of them. The Greeks already have taken to the streets, violently, and have been quick to find people other than themselves to blame for their problems: monks, Turks, foreign bankers. Greek anarchists now mail bombs to Angela Merkel and hurl Molotov cocktails at their own police. In Ireland the money was borrowed by a few banks, and yet the people seem not only willing to repay it but to do so without a peep of protest. Back in October 2008, after the government threatened to means-test for medical care, the old people marched in the streets of Dublin. A few days after I’d arrived the students followed suit, but their protest was less public anger than theater, and perhaps an excuse to skip school. (DOWN WITH THIS SORT OF THING, read one of the students’ signs.) I’d tapped two students as they stumbled away from the event to ask why they had all painted yellow streaks on their faces. They looked at each other for a beat. “Dunno!” one finally said and burst out laughing. Other than that … silence. It’s more than two years since the Irish government foisted the losses of the Irish banks on the Irish people, and in that time there have been only two conspicuous acts of social unrest. In May 2009, at A.I.B.’s first shareholder meeting after the collapse, a senior citizen hurled rotten eggs at the bank’s executives. And early one morning in September 2010, a 41-year-old property developer from Galway named Joe McNamara, who had painted his cement mixer with anti-banker slogans, climbed inside the cab, drove through Dublin, and, after cutting the brake lines, stalled the machine up against the gates of the Parliament. The elderly egg thrower was a distant memory, but McNamara was still, more or less, in the news: declining requests for interviews. “Joe is a private person,” his lawyer told me. “He feels like he’s made his point. He doesn’t want any media attention.”

Before he’d parked his cement mixer in the Parliament’s driveway, McNamara had been a small-time builder. He’d started out laying foundations, and like a lot of rural tradesmen, he’d been given a loan by the Anglo Irish Bank. Thus began his career as a property developer. He’d moved to Galway, into a tacky new development beside a golf course, but the real source of his financial distress lay an hour or so beyond the city, in a resort hotel he’d tried to build on a remote island called Achill, in the tiny village in which he’d grown up, called Keel. “Achill,” says Ian after I tell him that’s where I’d like to go, then goes silent for a minute, as if giving me time to reconsider. “This time of year Achill’s going to be fairly bleak.” He thinks another minute. “Mind you, in the summer it can be fairly bleak as well.”

It's twilight as we roll across the tiny bridge and onto the island. On either side of the snaking single-lane road peat bogs stretch as far as the eye can see. The feel is less "tourist destination" than "end of the earth." ("The next stop is Newfoundland," says Ian.) The Achill Head Hotel—Joe's first venture, still run by his ex-wife—was closed and dark. But there, smack in the middle of the tiny village of Keel, was the source of all of Joe McNamara's financial troubles: a giant black hole, surrounded by bulldozers and building materials. He'd set out in 2005 to build a modest one-story hotel, with 12 rooms. In April 2006, with the Irish property market exploding, he'd expanded his ambition and applied for permission to build a multi-story luxury hotel. At exactly that moment, the market turned. "We went away in June of 2006," Ronan O'Driscoll, the Savills broker, had told me. "We came back in September and everything had just stopped. How does everyone decide at once that it is time to stop—that it's become mad?" For the past four years the hotel's site had scarred the village. But it wasn't until early 2010 that Anglo Irish Bank, which had lent McNamara the money to develop it, threatened to force him into receivership. Irish bankruptcy laws were not designed for spectacular failure, perhaps because the people who wrote them never imagined spectacular success. When a bank forces an Irish person into receivership, a notice is published in a national and a local newspaper—ensuring the bankrupt's widespread shame. For as many as 12 years the person is not permitted to take out a loan for more than 650 euros without disclosing his bankruptcy status or own assets amounting to more than 3,100 euros, and part of whatever he earns may pass to his creditors at the discretion of the court. "It's not like the United States, where being bankrupt is almost a badge of honor," says Patrick White, of the Irish Property Council. "Here you are effectively disbarred from commercial life."

There is an ancient rule of financial life—that if you owe the bank five *million* bucks the bank owns you, but if you owe the bank five *billion* bucks you own the bank—that newly applies to Ireland. The debts of its big property developers—now generally defined as anyone who owed the bank more than 20 million euros—are being worked out behind closed doors. In exchange for helping the government to manage or liquidate their real-estate portfolios, the biggest failures are hoping to be spared bankruptcy. Smaller developers, like McNamara, are in a far harder place, and while no one seems to know how many of these people exist, the number is clearly big.

Ireland's National Asset Management Agency (its tarp) controls roughly 70 billion euros of commercial-property loans. It is believed that smaller Irish property-related loans amount to another 85 billion euros. Some very large number of Irish former tradesmen are in exactly Joe McNamara's situation. Some very large number of Irish *homeowners* are in something very like it.

The difference between McNamara and everyone else is that he complained about it publicly. But then, apparently, thought better of it. I'd tracked down and phoned his ex-wife, who just laughed and told me to get lost. I finally reached McNamara himself, ambushing him on his cell phone. But he just muttered something about not wanting to draw further attention to himself, then hung up. It was only after I texted him to say I was en route to his hometown that he became sufficiently aroused to communicate. "What are you doing in Keel????" he hollered by text message, more than once. "Tell me *Why are you going to Keel???*" Then, once again, he fell silent. "The problem with the Irish people," Ian says, as we drive away from the black hole that ruined Joe McNamara, "is that you can push them and push them and push them. But when they break they go wacko." A month later, after a period of silence, McNamara would reappear, blasting the theme from *The Good, the Bad and the Ugly* from the top of a cherry-picker crane that he had parked, once again, in front of the Parliament.

Two things strike every Irish person when he comes to America, Irish friends tell me: the vastness of the country, and the seemingly endless desire of its people to talk about their personal problems. Two things strike an American when he comes to Ireland: how small it is and how tight-lipped. An Irish person with a personal problem takes it into a hole with him, like a squirrel with a nut before winter. He tortures himself and sometimes his loved ones too. What he doesn't do, if he has suffered some reversal, is vent about it to the outside world. The famous Irish gift of gab is a cover for all the things they aren't telling you.

So far as I could see, by November 10, 2010, the population of Irish people willing to make a stink about what has happened to them has been reduced to one: the elderly egg thrower. The next day we pull up outside his home, a modest old semi-detached house on the outskirts of Dublin. The cheery gentleman who opens the door in a neat burgundy sweater and well-pressed slacks has, among his other qualities, fantastically good manners. He has the ability to seem pleased even when total strangers ring his doorbell, and to make them feel welcome. On the table in Gary Keogh's small and tidy dining room is a book, created by his grandchildren, dated May 2009, called "Granddad's Eggcellent Adventure."

In the months after Lenihan's bank bailout, Keogh began to pay attention to the behavior of Irish bankers. His own shares in A.I.B., once thought to be as sound as cash or gold, were rapidly becoming worthless. But the bank's executives exhibited not the first hint of remorse or shame. A.I.B. chairman Dermot Gleeson and C.E.O. Eugene Sheehy troubled Keogh the most. "The two of 'em stood up, time and again, and said, 'Our bank is 100 percent sound,' " he says. "As if nothing at all was the matter!" He set out to learn more about these people in whom he had always placed blind trust. And what he found—high pay, corporate boondoggles—outraged him further. "The chairman paid himself 475,000 [euros] to chair 12 meetings!" Keogh still shouts.

What Keogh learned remains both the most shocking and the most familiar aspect of the Irish catastrophe: how easily ancient financial institutions abandoned their traditions and principles. An upstart bank, Anglo Irish, had entered their market and professed to have found a new and better way to be a banker. Anglo Irish made incredibly quick decisions: an Irish property developer who was an existing client could walk into its office in the late afternoon with a new idea and walk out with a commitment of hundreds of millions of euros that night. Anglo Irish was able to shovel money out its door so quickly because it had turned banking into a family affair: if they liked the man, they didn't bother to evaluate his project.

Rather than point out the insanity of the approach, the two old Irish banks simply caved to it. An Irish businessman named Denis O'Brien sat on the board of the Bank of Ireland in 2005, when it was faced with the astonishing growth of Anglo Irish, which was about to *double* in size in just two years. "I remember the C.E.O. coming in and saying, 'We're going to grow at 30 percent a year,' " O'Brien tells me. "I said, How the fuck are you going to do that? Banking is a 5-to-7-percent-a-year-growth business at best."

They did it by doing what Anglo Irish had done: writing checks to Irish property developers to buy Irish land at any price. A.I.B. even opened a unit dedicated to poaching Anglo's biggest property-developer clients—the very people who would become the most spectacular busts in Irish history. In October 2008, the *Irish Independent* published a list of the five biggest real-estate deals in each of the past three years. A.I.B. lent the money for 6 of the 15, Anglo Irish for just 1, as a co-lender with A.I.B. On Irish national radio recently, the insolvent property developer Simon Kelly, whose family's real-estate portfolio has run up bad debts of 2 billion euros, confessed that the only time in his career a banker became upset with him was when he *repaid* a loan, to Anglo Irish, with money borrowed from A.I.B. The former Anglo Irish executives I interviewed (off the record, as they are all in hiding) speak of their older, more respectable imitators with a kind of amazement. "Yes, we were out of control," they say, in so many words. "But those guys were *fucking nuts*."

Gary Keogh thought about how Ireland had changed from his youth, when the country was dirt-poor. "I used to collect bottles. Now the health service doesn't even bother to take back crutches anymore? No! We're far too wealthy."

Unlike most people he knew, he had no debts. "I had nothing to lose," he says. "I didn't owe anyone any money. That's why I could do it!" He'd also just recovered from a serious illness, and so, emotionally, felt a bit as if he were playing with house money. "I had just got a new kidney and I was very pleased with it," he says. "But I think it must have been Che Guevara's kidney." He describes his elaborate plot the way an assassin might describe the perfect hit. "I only had two rotten eggs," he says, "but by God they were rotten! Because I kept them six weeks in the garage!"

The A.I.B. shareholders' meeting of May 2009 was the first he'd ever attended. He was, he admits, a bit worried something might go wrong. Worried that parking might be a problem, he took the bus; worried that his eggs might break, he used a container to protect them; worried that he didn't even know what the room looked like, he left himself time to case the meeting hall. "I got to the front door early and had a little recce," as he puts it, "just to see what was going to happen." His egg container was too large to sneak inside, so he ditched it. "I had one egg in each jacket pocket," he says. Worried that his eggs might be too slippery to grip and throw, he'd put Band-Aids on them. "I positioned myself four rows back and four seats in," he says. "Not too close but not too far." Then he waited for his moment.

It came immediately. Right after the executives took their places at the dais, a shareholder stood up, uninvited, with a point of order. Gleeson, A.I.B.'s chairman, barked, "Sit down!"

"He thought he was a dictator!" says Keogh, who had heard enough.

He rose to his feet and shouted, "I've listened to enough of your crap! You're a fucking git!" And then he began firing.

"He thought he had been shot," he says now with a little smile, "because the first egg hit the microphone and went *POW!*" It splattered onto the shoulder pad of Gleeson's suit. The second egg missed the C.E.O. but nailed the A.I.B. sign behind him.

Then the security guards were on him. "I was told I would be arrested and charged, but I never was," he says. Of course he wasn't: this was at bottom a family dispute. The guards wanted to escort him out, but he left the place on his own and climbed aboard the next bus home. “The incident happened at 10 past 10 in the morning,” he says. “I was home by 10 to 11. At 10 past 11 the phone rang. And I was on the radio for an hour.” Then, but briefly, all was madness. “The press descended on the house and they wouldn’t get out,” he says. It didn’t really matter; he wasn’t sticking around. He’d done exactly what he’d planned to do, and saw no need to make a further fuss. He flew out of Dublin Airport at seven the next morning, for a long-planned Mediterranean cruise.

Plus: Q&A: Michael Lewis discusses his eventful Irish sojourn.

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