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6–7 minutes

We're all in now. That is clear after the past week. As a nation, we've charted our budgetary course and we can only hope that things stays fair for us. Because hope is what we're depending on now. Our fiscal future is beyond our control.

The Government bought industrial peace with the public service unions (and arguably also the legal profession). But it has done so at an enormous price.

It's probably overstating things to compare the pay agreement with the "night of the 30 per cent" deal Charlie Haughey cut with teachers in 1980, which stunned even the unions with its generosity. Or with the infamous 2002 Benchmarking deal which was likened at the time to walking up to an ATM machine.

We're not quite at those levels. And, to be fair, there was a compelling case for significant pay increases, particularly for lower paid public servants. But there is little doubt that the 10.75 per cent pay rise over 33 months – and significantly more for those lower paid – was a very deliberate, and expensive, decision to make a significant problem go away.

Politically, the government probably had little choice. The idea of Thursday's major European summit being thrown into chaos by a second day of action was unthinkable. The potential damage to the country and the coalition's reputation probably incalculable.

The level of public support for the unions' action was also key. The majority of voters clearly wanted the government to cut a deal to compensate for the high cost of living increases. They weren't remotely interested in the cost or the long term financial implications of that deal.

So the Government did what it also did last April when the country was held to ransom by blockades and protests. It threw money at the situation. It did so for the reasons outlined above but also, more crucially, because it could.

The reality is that, thanks to bumper corporation tax returns, the Exchequer is rolling in money. Just like it was back in 2002, when the benchmarking ATM was loaded up. Politically, it was a simple decision to do the €5.2bn deal.

Could this figure have been reduced if the government had acted quicker and more decisively when the original pay deal expired? Perhaps. The headline rate of inflation was lower then and there was no pending EU summit for the unions to leverage off.

But, given the large budget surplus and public frustration at rising prices, the final bill was always likely to be hefty. Unless the government had the appetite for a major industrial relations stand-off, which it clearly didn't.

If there was any doubt before, we are now firmly back in a place where, just like the Celtic Tiger years, politics trump economics. Nobody in the Dáil will dare raise any question marks about the wisdom of the pay deal. The logic of wages chasing inflation was utterly debunked in the 1970s, but that's exactly what politicians from all parties are now demanding.

Economists are already warning that the government will smash through its €1.6bn contingency fund and its much trumpeted 6 per cent ceiling on spending next year. They suggest the spending increase will be closer to the 9 per cent figure of this year.

But the reality is nobody is listening to them or the alarm bells being rung by the Irish Fiscal Advisory Council. The Government splashed €8.5bn on the budget in October and the collective reaction of the nation was a 'so what?' shrug of the shoulders.

Despite all the debate about the merits of Fine Gael potentially looking to recapture the centre right ground, there is no obvious public appetite for prudent budgetary policies. Just as there was no interest in the Celtic Tiger days.

Back then, it might have been possible to believe that the sun would stay shining indefinitely. But, scarred by that experience, we know differently now. The reality is that the pay deal, the huge budgetary package and the doubling in public spending over the past decade has been funded by corporation tax receipts.

And a large percentage of those receipts come, not just from a very small number of tech and pharma companies, but also from a very small number of products such as iPhones and Eli Lilly's weight loss drug Mounjaro.

If the so-called transient element of our corporation taxes are stripped out, our huge budget surpluses would become massive underlying deficits – over €13bn next year and up to €20bn by 2030.

Nobody thinks that those taxes will disappear overnight. But equally nobody can be quite sure that they will continue at the current level. Tech companies have bet the house on AI and we're betting on our house on that bet working out. And on the global tax regulatory environment remaining as it is right now. We've gone all in.

Politically, it's easy to see why. Look at the chaos on the streets of Spain, France, Italy and Portugal, where there is huge anger about the cost of living rises. The difference

with Ireland is that the government has, thanks to the corporation tax bonanza, billions of euro at its disposal to help try and offset some of the pain people are feeling.

It's unrealistic to expect them not to do so, particularly when an angry electorate is demanding even more spending and tax cutting.

But economically what we are doing is unjustifiable. Pouring more money into an already booming and inflation-hit economy. Ramping up current spending using windfall tax revenues that may not last. That's what we did 20 years ago and we know how it ended.

Who knows, it might yet stay fair for us. Maybe the golden goose will continue to lay its golden eggs. Let's all pray that is the case. But our fiscal future is now largely out of our hands. Of that there is no doubt.