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Solution to the Greek crisis impossible within the euro zone

Costas Lapavitsas

The never-ending Greek crisis had a dramatic acceleration last week: the government submitted a list of proposals, the troika (International Monetary Fund, EU Commission and EU Central Bank) came back with a list of its own, the Greek side rejected these out of hand, a parliamentary debate followed in Athens during which the prime minister repeated the rejection, and finally Greece failed to make a scheduled payment to the IMF on 5 June, presumably bundling all its payments for the end of the month.

After five years of catastrophic failure there is a sense that the crisis is about to reach a climax, perhaps involving default and exit. There is frustration among the population with what is perceived as the unbending attitude of the lenders; but there is also deep concern regarding the implications of default and exit.

The proposals by the SYRIZA government are a painful compromise compared with its electoral promises. It has accepted tight fiscal targets, and to achieve them it is offering to increase VAT on several types of goods while also imposing a substantial tax burden on the rich, thus achieving some redistribution. It has also toned down its policies on privatisation and pensions.

In return it is asking the troika for an immediate injection of liquidity, as well as for a serious commitment to reducing Greece's debt and promoting long-term investment. There is hardly anything revolutionary, or even particularly radical, in these demands.

The response of the euro-zone creditors, judging by a leaked "official" document, has been ruthless. They have set fiscal targets slightly above those of SYRIZA, but to achieve these they are demanding a substantial increase in VAT, including an increase of 10 per cent on electricity, thus hitting the poorest where it most hurts. They are also demanding the abolition of subsidies and tax relief (including those for farmers and poor pensioners) and cuts in pensions. Finally, they demand an end to collective bargaining, no increase in the minimum wage, and sustained privatisation.

These are familiar measures proposed by the IMF on many occasions around the world. They represent failed and outdated economic thinking and are likely to mean low growth, high unemployment, and low incomes. Even worse, the troika is making no suggestions regarding the settlement of debt and future investment. Greece is offered only a temporary reprieve, on very tough terms. It will soon have to get back to the negotiating table to deal with the long-term issues, involving fresh loans of perhaps €40 to 50 billion.

The SYRIZA government was quite right to reject these proposals and to fire a shot across the bows of the lenders by refusing to pay the IMF on 5 June. But the real question is, What is going to happen now?

It is quite apparent that the euro-zone creditors have no intention of offering SYRIZA a deal that would allow it to claim even a smidgeon of victory. It is too much of a danger for the European status quo, and it must be taken down several pegs. It will have to be made to comply with the harsh austerity policies that have become entrenched in the euro zone. As far as the lenders are concerned, there is no other option for Greece.

If SYRIZA accepts such a deal it will be signing its own suicide note but also, and more importantly, that of the country as a whole. Greece must urgently have debt relief, a sustained investment programme, a boost of aggregate demand, redistribution of income and wealth, and profound reform of its economy, state, and society. It is becoming increasingly clear that these are impossible to achieve within the euro zone, which insists on continuing with the failed policies of the past.

SYRIZA came to power promising radical change but within the confines of the euro zone. The attitude of the lenders is making it increasingly clear that these two aims are incompatible. In effect, SYRIZA is being asked to move even further away from its programme, to accept an even more painful compromise. Such a compromise is unlikely to put Greece on the road to development at all, much less development with social justice.

The economy, meanwhile, is again moving towards recession, liquidity is extremely short, the public sector is delaying domestic payments, and deposits are draining away from banks. Above all, the country cannot meet its debt payments this summer. Crisis is truly upon us.

The only political force that could lead Greece out of this quagmire remains SYRIZA, which still enjoys enormous popular support. If the lenders prove intransigent, the government should examine all alternative paths. Those who think the country will submit to blackmail because it does not know how to handle the alternative are wrong. Greece can and will survive.

■ Costas Lapavitsas is professor of economics at the School of Oriental and African Studies, University of London, and was elected to the Greek parliament for SYRIZA in the 2015 general election. As early as 2011 he and other Greek economists advocated that Greece abandon the euro and return to its national currency as a response to the Greek government's debt crisis.

The promoting of EU identity—a little-known slush fund

A big component of the EU Parliament's budget is expenditure on attempting to foster a "European identity" and build up the prestige of the institution. This comes in a number of forms: direct spending on the media, spending on pro-integration think tanks and NGOs, and special parliamentary projects, such as its visitor centre and museum.

Subsidising of the media is top of the list. In 2012 the parliament awarded €3.066 million to media organisations to help promote coverage of EU decision-making. In addition to this, €440,500 was awarded to universities for organising conferences.

In 2012 the parliament made grants of €1.507 million to think tanks and campaigning organisations "encouraging wide public interest" in the EU decision-making process.

This included such organisations as "Friends of Europe," which was awarded €139,000, and the Institute of European Affairs, which was awarded €105,875.

Can you recognize propaganda when you see it ?

Then there's the EU Parliament visitor centre. It has spent €21 million on its new visitor centre, the "Parliamentarium," in addition to the money it spends on paid visits to the parliament. It has also decided to build its own museum in the Parc Léopold in Brussels, at a cost of €56 million. The emphasis of the exhibition will be on "European history of the 20th century and the history of European integration."

The majority of members of the EU Parliament sit in political groups. These are not organised by nationality but by political affiliation. There are seven political groups at present, though some members do not belong to any political group. At least twenty-five members representing at least seven member-states are needed to establish and maintain a group.

The parliament's budget provides funds not only to the party groups but also to affiliated pan-EU parties and foundations. Grants for the groups within the parliament support their administration, so that they can employ a staff to support their members' work. Less well known, however, are the funds given to pan-EU political parties, which do not have to have any elected members of the EU parliament.

Political foundations linked to the pan-EU parties, which often conduct and commission research and political projects, also receive money from the budget. In total, nearly €85 million a year is spent on parliamentary groups, pan-EU parties and foundations. The parliament gave pan-EU groups sitting in the parliament €55.893 million in 2012. Of this, the largest part went to the largest groups, with the centre-right European People's Party (of which Fine Gael is a member) receiving €21.127 million and the centre-left Socialist and Democrats group €14.907 million.

In 2012 pan-EU parties received €18.247 million. Of this, the political parties affiliated to the European People's Party and the Socialist and Democrats group received €6.483 million and €4.323 million, respectively.

Each pan-EU party has a linked political foundation, which is also eligible for grants. In total the political foundations receive €10.768 million, which can be used for conducting or financing research of their choosing. There is a wide variety of these foundations, with the EPP's Centre for European Studies receiving €3.719 million, the S&D's Foundation for European Progressive Studies receiving €2.795 million, and smaller foundations, such as the European Liberal Forum, the Green European Forum, and the European Conservatives and Reformists' Foundation for European Reform, all receiving grants.

A new far-right group, comprising Marine Le Pen's Front National in France and Geert Wilders' PVV in the Netherlands, is called the European Alliance for Freedom. This pan-EU party and an affiliated political foundation already receive some money from the EU Parliament's budget, but this could increase nearly tenfold. With thirty-eight members of the EU Parliament, and based on what existing groups can receive per member, we could see the new group receive €4.443 million a year from the parliament's budget, over and above what is given to individual members. This would amount to approximately €22 million over the course of the five-year parliament.

It could be all about regime change!

The prime minister of Greece, Aléxis Tsípras, has accused Europe's creditor powers of trying to subvert the country's elected government after five years of "pillaging," warning in solemn terms that his country will defend its sovereign dignity whatever the consequences.

This defiant stand came as the EU Commission lashed out at Greece and warned that the country would collapse into a "state of emergency" unless there is a deal for averting a financial crash.

A German member of the EU Commission, Günther Oettinger, said the creditor powers must draw up an urgent plan for coping with social unrest in Greece and a breakdown of energy supplies and medicine as early as July. Oettinger needs to be reminded that the Greek government is democratically elected; the EU Commission is not elected at all.

In a terse statement, Tsípras called on the EU institutions and the International Monetary Fund to "adhere to realism." He accused the creditors of having "political motives" for demanding further cuts in pensions, hinting that their real goal is to destroy the credibility of his radical-left SYRIZA government and forcing regime change. "We are not only carrying a historical past underlined with struggles," he said: "we are carrying our people's dignity as well as the aspirations of all Europeans. We cannot ignore this responsibility. It has to do with democracy."

The German daily *Süddeutsche Zeitung* reported that the creditors are drawing up an ultimatum for Greece, threatening to cut off the country's access to the European payments system and forcing capital controls on the country. The plan would lead to the temporary closure of the banks, followed by a rationing of cash withdrawals.

SYRIZA sources said that Greece may seek an injunction from the EU Court of Justice to stop the creditors and the EU institutions acting in a way that breaches Greece's treaty rights. This would be an unprecedented move, greatly complicating the picture.

Meanwhile the IMF has made it official: it will go on lending to Ukraine regardless of whether or not it defaults on its private Western debt. The IMF's statement, made in the form of an open letter published on its web site, makes the fact clear. The key sentence in the letter is: *"The IMF, in general, encourages voluntary pre-emptive agreements in debt restructurings, but in the event that a negotiated settlement with private creditors is not reached and the country determines that it cannot service its debt, the Fund can lend to Ukraine consistent with its Lending-into-Arrears Policy."*

The idea seems to be that, as Ukraine is due to pay £23 billion to its Western creditors over the next four years, defaulting on this debt would plug the $15 billion hole in the funding the IMF is providing Ukraine, which it has identified.

That this is a blatantly political decision, showing a willingness to lend to a country that is bankrupt, hardly needs saying. What the IMF is in effect doing—as it is not willing to increase the amount it is lending—is to subsidise Ukraine at the expense of its creditors. It is a significant—and dubious—departure from IMF practice. However, the political pressure from the Western powers that control the IMF for it to continue its support for Ukraine has overridden all other considerations.

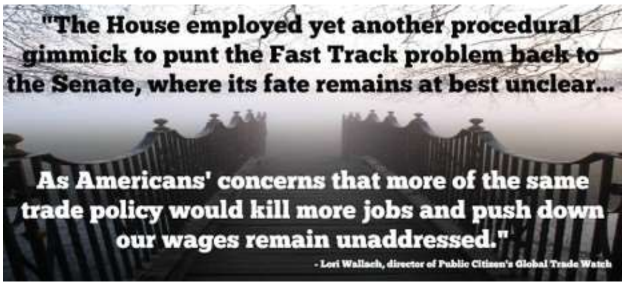
So we must stand with Greece. The Irish and other member-state governments won't, so it falls to us, the citizens, to show our support.

Powerful vested interests try to push ahead despite setbacks

At first it seemed clear, if unexpected, when an unusual coalition of more progressive members of the Democratic Party and Tea Party Republicans voted in the US House of Representatives on 15 June to terminate the so-called Trade Adjustment Assistance scheme.

Set up by the Democratic Party in the 1970s, TAA provided assistance to workers made redundant as a result of free-trade agreements. In cancelling it they also shot down related legislation that gives the president sweeping powers to negotiate trade agreements without congressional amendments or filibusters.

Despite President Barack Obama making an appearance in Congress in a last-minute attempt to drum up support for the trade promotion bill, only forty Democrats voted in favour, resulting in a defeat, 126 to 303. The related fast-track trade authority would have meant that trade agreements could not be amended by Congress, which would only hold a single vote to ratify or veto.



Failure to agree on it threatens to scupper the draft Trans-Pacific Partnership being negotiated by the United States with Canada and ten countries in South America and Asia, including Japan but not China. It also increases the chances that the current version of the Transatlantic Trade and Investment Partnership (TTIP) with the EU will be stalled, or rewritten, in Congress.

The EU-US trade talks were also thrown into doubt after members of the EU Parliament postponed a vote because of disagreements between political groups on the status of investor-protection rules; and the EU's chief negotiator conceded that the talks will have to continue into 2016, despite an earlier deadline of the end of 2015.

On 18 June another procedural gimmick was brought into play to try to breathe new life into the process. The objective was to get the "fast track" problem back into the Senate. Because Republican Party members of Congress would not support the TAA part of the fast-track package that was passed in the Senate last week, the Republican leadership had to resort to a vote on fast track only, but what exactly that achieves is not clear. Senate Democrats, including those needed to obtain cloture (a guillotine or forced ending of debate) for a separate fast-track bill, are demanding that the TAA be reinserted in the fast-track bill or be passed by both houses before they will agree to support fast track.

In addition, some Democratic senators are insisting on the fulfilment of a promise by the majority leader of the Senate, Mitch McConnell, of a vote to reauthorise a scheme for an export-import bank (which was a condition for the deciding bloc of Senate Democrats to support closure on fast track in the first instance in May). Meanwhile Republican Party members of Congress remain strongly opposed to TAA and reauthorisation of an export-import bank.

As the leader of the Democratic Party in the House of Representatives, Nancy Pelosi, stated, there is no clear path for the enactment of TAA. Yet the president's spokesperson, Josh Earnest, said that Obama requires both fast track and TAA to come to his desk.

That two years of effort by a vast corporate coalition, the President and Republican Party leaders—and weeks of procedural gimmicks and deals swapped for Yes votes—have resulted in this continuing stalemate and no "fast track" enacted reveals the dim prospects not only for the adoption of fast track but also for the Trans-Pacific Partnership and possibly TTIP.

Millions of American people from all parts of the political spectrum are now actively campaigning against fast track and will intensify their efforts to ensure that the Senate permanently retires the Nixon-era scheme. As the campaigners correctly insist, America needs a new process for negotiating and approving trade agreements if it is to achieve agreements that create American jobs and raise wages. It is a message that should resonate across the Atlantic.

A new publication on TTIP

In a newly published paper, TTIP: Why the World Should Beware, the Rosa Luxemburg Foundation explores from different angles why human rights, environmental, consumer advocate and many other organisations that are working for a world different from the corporate-led neo-liberal dogma should pay special attention to TTIP. See: http://www.rosalux.de/publication/41566/ttip-why-the-world-should-beware.html

Greece applies to participate in BRICS bank

Greece is preparing to participate in the New Development Bank, which is being set up by the "BRICS" countries (Brazil, Russia, India, China, and South Africa), and has secured Russia's support on the issue, the Greek minister for productive reconstruction, environment, and energy, Panagiótis Lafazánis, told the ANA-MPA news agency.

"During my meeting with the Russian deputy finance minister, Sergey Storchak, we secured the decisive Russian support for Greece's request for participation in the new development bank of BRICS countries," he said. "The relevant request for Greece's participation … will be symbolic and will be paid in instalments, while right after operations begin it will be able to accept financial support."

Lafazánis added that technical details on how to submit the request were also discussed, so that it will be accepted after discussions within the Greek government conclude.

He also stated that he had discussed the credit facility that will be provided by Russian banks to the Greek company that will undertake the construction of the new gas pipeline that will cross Greece. Repayment of the Russian loan would be achieved with the profits made through the operation of the pipeline.

TTIP and "common values"

Since the start of negotiations, the proposed Transatlantic Trade and Investment Partnership has been promoted not only as a boost for economic growth and job creation (even though the EU Commission's own economic study contradicts this view) but also as a means for reasserting the allegedly common "Western" values shared by Europe and America.

President Obama has referred to such values in this way: "Let me just say that in days like this, forging even stronger economic ties across the Atlantic is also a powerful political sign, a way to show our public opinions and the world who we are at heart, in Europe and in America—economies based on rules, societies based on values, and proud of being so."

The former president of the EU Commission José Manuel Barroso has said: "I'd like to say to the American people that you can count on us as your best friends and allies. And also, to the rest of the world, but at the same time we will also be firm in defending our common values … Not only are our economies equal in size, but our societies are equal in values."

And in a speech entitled "A values-driven trade policy" the US trade representative Michael Froman said: "We expect that TTIP will lay the foundation for co-operation with Europe in promoting high-standard labour practices around the world," and that "our values also tell us that the future global economy should be more sustainable than it is today. Here, too, trade has an important role to play and, through TPP and TTIP, as well as the WTO, the United States has taken the lead in advancing this agenda."

Certainly the United States and the EU are already the most interdependent economies in the world, together accounting for roughly 60 per cent of world GDP and 40 per cent of total world trade. Proponents of TTIP depict them as sharing a common culture, tradition and values and having a similar political and social fabric. Their economic relationship is often described as the "laboratory" of globalisation (in a wider sense also of global governance) and economic integration. For advocates of TTIP no other two regions should find it easier to advance economic and potentially even political integration.

On its TTIP web site the EU Commission's Directorate-General for Trade also lists "shared values" as the basis of an EU-US partnership, among them "upholding and promoting human rights," "protecting people's rights in the workplace," and enforcing "international trade rules that protect people's health [and] their well-being at work."

It is worth looking at the effects that these "value-driven" EU policies have had on Greece since the implementation of austerity measures in 2010 by the euro-zone countries, the EU Central Bank, and the International Monetary Fund. Unemployment in Greece has risen by 190 per cent, while household income has fallen by 30 per cent, average income by 38 per cent, pensions by 45 per cent, and wages by 24 per cent. While Greece's public debt increased by 35 per cent during that period, the poverty rate increased by almost 100 per cent, leaving 450,000 families without any working member and 3 million people without health insurance.

A thorough report on the violation of human rights through austerity policies has been published by the Hellenic League for Human Rights. While such values as "workers and human rights" as well as "public health" seem not to be a priority after all for the EU countries' crisis policy in Greece, the values that do seem to matter include "access to energy markets, competition policy, [and] the role trade can play in promoting sustainable development," according to the Directorate-General for Trade. Here European policies towards Greece follow the same strategy foisted on developing countries for decades under the name of "structural adjustment": massive privatisation, cuts in public spending, deregulation, and opening markets to transnational companies.

In January 2015 Greece's new government rejected austerity policies and instead has asked for more solidarity in guaranteeing "shared values" such as "human and workers' rights" as well as the "protection of people's health." Since then the country once known as the cradle of European democracy has instead learnt that "democracy has to be in conformity with the market," and "solidarity means … to balance the budget," as Angela Merkel recently stated.

The "Western values" rhetoric has been particularly severe in relation to Russia. Michael Froman recently said that "at a time when the crisis in Ukraine has triggered deep unease, TTIP will remind the world that our transatlantic partnership is second to none."

In the words of Admiral James Stavridis (retired), who in 2008 revived the idea of threatening democratic governments in Latin America and then as supreme commander of NATO promoted the "smart power" military initiative, "indeed, a negotiated and eventually ratified TTIP would be a powerful signal to Putin's Russia that Europe and the United States stand together in all dimensions—values, politics, security, and trade. And if Putin hates it, TTIP probably makes sense."

However, the US assistant secretary of state for European and Eurasian affairs, Victoria Nuland, has articulated a rather different view on the US-EU partnership in relation to its approach to the Ukraine crisis, saying, in a leaked telephone call to the US ambassador to Ukraine, "Fuck the EU," for its less active stance on resolving the crisis.

So there are serious question marks over the assumed "common values" of Europe and the United States. Pierre Defraigne, a former EU director-general for trade, has said:

Whether it is hormones in livestock; GMO; chlorinated chickens; privacy protection; plastic packaging; cyber laws; financial, social and environmental standards (including and notably shale gas extraction); is upwards harmonisation or mutual recognition of standards between U.S. and EU possible? Europe and the United States do not have the same collective preferences, particularly in terms of risk aversion, nor the same institutional models; Europe tends towards the precautionary principle, giving priority to the law and thus preventing risk, whereas America prefers a {litigation after damage" approach. Thirdly, how do we see the negotiation between the United States and Europe in the (many) areas where the EU has unfortunately not yet achieved unity—energy, finance, telecommunications, railways, digital industries, the defence industry—or where European interests are directly opposed to those of the USA; for example in the case of Airbus and Boeing, agriculture, or cultural output? Is a negotiation with a strong and united America really a negotiation of equals?

In addition, the widespread practice of espionage by the National Security Agency of the United States and in particular over chancellor Angela Merkel, has seriously made the "common values" assumption questionable, and in fact has provoked a crisis that has even caused the cancellation of a large German contract to the US communications company Verizon.

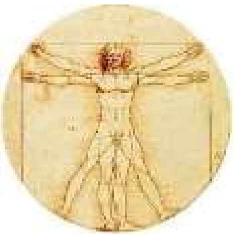
The "common values" discussion between the United States and Europe, and how these values relate to the rest of the world, go beyond issues of "democratic governance" and into the realm of the role of the state, the provision of public services, and the pre-eminence of human rights over corporate rights, where there are stark differences between the two.

To begin with, the neo-liberal, laissez-faire Anglo-Saxon model and the social-democratic model (more prevalent in Europe)—based on the notion of an obligation to guarantee the provision of basic services to the population—are in direct confrontation, while governments elsewhere struggle against the backdrop of globalisation to adapt to a combination of both.

Ultimately—in stark contrast with EU countries, and most of the Western hemisphere, which have signed and ratified most of the eighteen international human rights treaties—the United States has signed only nine, and ratified only five.

It is far from clear, therefore, what the common "transatlantic values" are. And in any case the closed and non-transparent negotiations and corporate-driven imperatives that surround TTIP make it much less advisable that the world should be governed by the "common values" trumpeted by the European and American promoters of TTIP, who negotiate this agreement on behalf of corporate profit-making.

Time to return to a human scale



The internet began as a free space where everyone could be heard and seen and where we could sniff out new information and make new contacts, nearby or far away; but recent years have seen a growing threat to this freedom.

Increasing interference from states, and also the rise of transnational corporations, have meant that less and less freedom remains. Now we have in addition the EU Commission's plan for a digital internal market. Claiming that this is to protect the consumer, this plan gives as much space as possible to big corporations at the expense of smaller providers on the internet. Time to demand that we take back the internet! We want to see the return of the human scale.

The Commission continually emphasises that consumers in the European Union suffer discrimination when it comes to making on-line purchases. You can see offers on the internet that, when you look into them, often apply only to customers in a particular member-state. And if you're abroad and want to watch your own country's television channels, it turns out that, as a result of copyright, certain programmes are not available in the country where you live or that you are visiting. In the Commission's view, that must change, and quickly, at least within the EU: one big digital market, where consumers can shop to their hearts' desire.

Sometimes, of course, there are objections to this that are just. If a transnational is active in almost every member-state, it seems strange that you pay a different price for the same product bought on line, according to where you are.

There's another side to this, however. Things are moving quickly in the retail trade, and increasing numbers of retailers are coming to the conclusion that unless they can sell on line they won't survive. It would be ridiculous, however, to make it compulsory for the small retailer to offer their wares to customers in other member-states. That should not be expected of small businesses.

The same goes for copyright. For big names in the arts world it's a fine thing to have the same rights throughout the EU, but a singer in Ireland, for example, will be much less interested. The greater the number of countries in which copyright is sought, the dearer it becomes.

The digital market is here, and is to be welcomed. We can also certainly improve things to make access to this market easier. This, however, must not be at the expense of small firms. According to the European Union of Trades and Small and Medium Businesses, 85 per cent of all small and medium-sized companies do not expect to enter the export market. There is a danger that, through the digital market, small firms will be pressured into mergers or into allowing themselves to be taken over in order to be able to serve the entire market.

It is these small firms that tend to have links to the society in which they are active. We need to look after these and value them, and make it easier for them to continue undisturbed in supplying only to customers in their neighbourhood.

Human scale must be protected, as this is essential to maintaining our human dignity.

The elephant in the room

There is a phoney political war going on in Ireland. Left and right make all the appropriate ideological opposing noises but at the end of the day share a common comfort zone on the essential question that affects all countries in the EU: the question of independence and national democracy.

Jacques Delors, a former president of the EU Commission, once famously said that by the year 2000 the EU would be making 80 per cent of the economic laws for its member-states. In other words, the EU, not their own national parliaments, would be making most of the laws for Ireland and other EU countries. 2000 has come and gone, and while there may be an argument today about the percentages, the reality is that it's hard to think of any area of national life that is not affected by EU laws.

In most years the majority of laws and statutory instruments that are put through the Oireachtas come from Brussels, while the EU treaties prevent voters at the national level, their parliaments and governments from abolishing or amending a single one of these legal measures. It is significant that Irish political parties, both of the left and the right, seem reluctant to acknowledge this reality when they seek to woo the voters.

Nowhere is the abdication of national sovereignty more obvious than in membership of the euro zone. This prevents Ireland from sufficiently restoring its economic competitiveness to achieve the growth that would eradicate unemployment and debt.

During the 1980s economic growth averaged 3 per cent, in the years 1990–93 it averaged 4½ per cent, but from 1994 to 1999 it averaged 8 per cent. These were the years of the so-called "Celtic Tiger." It also happened to be the only period in the ninety-year history of the Irish state in which it followed a virtually independent exchange-rate policy. In those years the government let the currency float, while it gave priority to the real economy of maximising output and employment, rather than maintaining a rigidly fixed exchange rate.

The highly competitive exchange rate of those years was the principal factor underlying the extraordinary growth rates of the later 1990s, though this fact is conveniently ignored by supporters of the euro.

Adopting the euro tied Ireland's fortunes to the currency of an area with which it does only a third of its trade. It gave the country an unsuitably low interest rate, which was geared to the needs of larger euro-zone countries and was the principal cause of the property boom of the mid-2000s. When that boom turned to bust, the blanket bank guarantee of September 2008, the EU-IMF bail-out of 2010 and the attendant austerity regime were all consequences of the Republic's membership of the euro zone and its acceptance of the rule of the ECB and EU Commission, the present masters of our destiny.

The Maastricht Treaty (1992) required all EU members apart from Britain and Denmark to abolish their national currencies and adopt the euro. The internal "price" of a currency is the rate of interest; its external "price" is its rate of exchange with other currencies. By joining the euro zone a country abandons national control of its interest rate and its exchange rate. It thereby surrenders vital economic tools for influencing the supply of credit internally and economic competitiveness externally in the interest of the common good of its own people.

What Angela Merkel called the "beneficial crisis" allowed Germany to make a grab for control of euro-zone countries' budgets. In 2011 Germany backed the Euro Plus Pact, which provided that the EU Commission should gain supervision of national budgets before national parliaments see them and called for schemes of harmonised company taxes, pension ages, public pay and labour market policies throughout the euro zone.

In 2012 Germany induced the other euro-zone countries and non-members of the euro zone apart from Britain and the Czech Republic to adopt the Fiscal Compact or Fiscal Stability Treaty; critics know it as the "Permanent Austerity Treaty." It lays down that euro-zone states should run a balanced budget each year, defined as less than 3 per cent of GDP, and that the maximum policy underlying gap between public spending, excluding debt interest, that a national government can have in any one year is 0.5 per cent of GDP if its total debt is over 60 per cent of GDP. It provides also for a "debt brake," which requires total national debt to be brought down to this level of 60 per cent of GDP by regular annual steps. The Commission and ECJ may impose fines and other sanctions to ensure that this is done. In general, it forbids Keynesian-style economic stimulus by treaty.

It is one more example of the harsh reality that membership of the euro zone stands as a barrier to real economic and social advance.

The end of the euro is nigh

Cillian Doyle

Did my dramatic headline catch your eye? Well, if you're reading this, then I suppose it did. But dramatic headlines aside, the prospect that the euro, in its present form, could soon become consigned to the scrap heap of history has become strikingly real. And yet somehow I see no real debate or discussion about this in the Irish media—and believe me, I've been looking. My great worry is that if we fail to prepare for this politically then we might as well prepare to fail economically. But let's back up for a minute.

I remember some years ago coming across a statement by Jörg Haider, the late leader of Austria's quasi-fascist Freedom Party, in which he described the recently minted euro as "the new Esperanto money." I often thought this was a rather prescient remark and one that managed to capture the reckless naïveté of the euro project. Esperanto was an attempt to create a world language, one that would foster peace and do away with competing national languages. But it was doomed from the outset. In the absence of a central political authority implementing this, who was going to learn a language that barely anyone spoke? So, instead of becoming the lingua franca of the world, all Esperanto did was become one minor language among many.

So what relevance does this story hold for the euro today? Well, it now seems likely that the euro could go from being the financial lingua franca of Europe to just one European currency among many. This might seem like a large claim, so please, read on.

A multi-country currency such as the euro, *with* a single monetary policy but *without* a political union, was always going to be a recipe for disaster. The proof is in the historical pudding. No currency union has ever survived without a political union. History is replete with examples of this, whether it was the Scandinavian currency union, the Habsburg Empire of Austria-Hungry, Czechoslovakia, Yugoslavia, or the Soviet Union. The curtain may have fallen on all these currency unions in different contexts, but the one factor common to them all is that once the central political authority gave way, so too did the currency union.

So what lessons can be learnt for the euro today? Well, we can see the array of options that were at first open to us, how these have evolved, and consequently how they have narrowed:

(1) First was the move towards a full political union (an undesirable option for many, myself included).

(2) Second was more piecemeal crisis resolution (pretend and extend v. debt forgiveness), although this was never going to address the structural problems.

(3) Third was the departure (whether orderly or chaotic) of one or more countries from the euro, and a radical restructuring of the currency in its present form.

The window of opportunity for option 1 has now passed. There is little desire for further European integration: we need only look to the large volume of Eurosceptic parties elected in the recent EU Parliament elections for evidence of this.

Option 2 initially seemed the most likely scenario, but the utter failure of austerity, coupled with the refusal to countenance debt forgiveness, means that if the IMF and Euro Group cannot compromise or break SYRIZA's resolve, then SYRIZA could end up breaking the currency union. At which point option 3 comes into play.

Some argue that the dissolution of the euro in its present form could be orderly, as in the case of Czechoslovakia, while some think it would be chaotic, like the Habsburg Empire, Yugoslavia, and the Soviet Union. Some argue (present company included) that devolving macro-economic policy back to the national level would be a serious boon to both growth and democracy, while others say it could be the start of economic Armageddon.

Scaremongering aside, yes, there would be hardship in the beginning; but faced with more stagnation and decline in the long run, the long-term gain would be worth the short-term pain. What's more, it would seem doubtful that we would see a return to nineteen or so separate currencies. In the event of collapse, it's probable that what will emerge is a kind of euro mark II, with a number of countries grouped around Germany, while some of the peripheral countries introduce a parallel currency to run alongside the euro while trying to arrange an orderly exit.

If Greece leaves the euro there are a number of things we can expect to see. First off, capital will fly from the peripheral countries (Ireland, Spain, Portugal, and Italy) as investors and wealthy individuals, spooked by the risk that these countries could be next in line for an exit, transfer their money to what is perceived as the safe centre, i.e. Germany. This will necessitate capital management techniques being introduced by the peripheral countries if they are to stop a run on their banks. Banks will therefore have to close temporarily, internet banking web sites will have to go black, and the authorities will have to stop people at the airports and ferry ports from trying to smuggle cash over their borders.

But it wouldn't have to be as chaotic as all this might sound. In the event of Greece leaving the euro, the plan is to initiate a parallel (electronic) currency, which would bring about an orderly withdrawal. This is for reasons of both cost-effectiveness (not having to print paper currency or to mint coins) and for expediency (an electronic currency could be circulated rapidly). For any of those who might be interested in what this would look like, see:
www.paecon.net/PAEReview/issue71/AndresenParenteau71.pdf
Irish policy-makers should also take note!

The euro's faulty architecture and draconian laws flowed from the pernicious neoliberal ideology that modern capitalist economies are self-stabilising systems, rather than crisis-prone entities that require continuous intervention. In March I wrote that we would know the fate of SYRIZA and the euro before the first week of July. This day next week the deadly game of brinkmanship will probably reach its denouement. This is the day when the next meeting of the Euro Summit is scheduled to take place.

If Greece is to remain within the fold, and the euro is to stagger on, then a further crippling austerity package (or some kind of debt forgiveness) will have to be agreed by that date. This is in order to give the Greek and German parliaments the requisite time to ratify any agreement, so that Greece can meet the next tranche of IMF payments in July and August (totalling €6.7 billion) and go on financing any deficits and further interest repayments in the near future.

However, if no agreement can be reached there *will* be a rupture, which would surely be the beginning of a great historical discontinuity. A Greek departure from the euro would be both the harbinger of a new era for Europe and the closing of a Greek tragedy.

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A Macedonian "colour revolution"?

For the past three weeks Macedonia has been in and out of the headlines. The spark was a police raid in the town of Kumanovo. During the raid there was an hour-long firefight in which twenty-two people died, including eight policemen. The Western media spoke of an attack by the Macedonian security forces, some claiming that it had been ethnically motivated and directed against the ethnic Albanian population, while others claimed that the prime minister, Nikola Gruevski, stage-managed the incident in order to divert attention from social and economic problems in the country.

But the media portrayal conveniently ignored important developments before the incident. In July 2014 the US assistant secretary of state for European and Eurasian affairs, Victoria Nuland, visited the prime minister in Skopje to advise him that the United States believed that Macedonia's "rightful place is within NATO and the EU." The Austrian minister for foreign affairs, Sebastian Kurz, has spoken of a Western "strategy for the West Balkans that includes EU accession for Macedonia, Albania and Kosovo." This provides the geopolitical context for events in Macedonia.

Fourteen years ago, in 2001, the small Balkan country, bordering Serbia in the north and Greece in the south, was in the headlines. The country was in danger of drifting into a civil war. Macedonian fighters with the Kosovo Liberation Army, supported by the Kosovar organisation of the same name and also by US intelligence agencies and the US military, shattered Macedonia through terrorist attacks and aggression against the country's police and military. KLA fighters and a majority of Western politicians and media then spoke of a legitimate fight against the discrimination towards the ethnic Albanian population in the country.

In August 2001 the parties agreed on a settlement that entitled the ethnic Albanian population to social and political rights. Today one of the leading former KLA fighters, Ali Ahmeti, is part of the country's government, and the country has been quiet for the past fourteen years. Since 2005 Macedonia has been a candidate for membership of the EU and possibly even of NATO.

But in EU and NATO eyes there is a serious black mark against the Macedonian government. It does not support EU and US sanctions against Russia over Ukraine.

Instead it has agreed to build a transit route in Macedonia for the Turkish Stream, Russia's planned gas pipeline through Turkey. The purpose of the pipeline is to carry Russian natural gas to south-eastern Europe as far as Austria. The route through Turkey had been negotiated between Russia and Turkey early in 2015; this is to replace the South Stream, whose original route through Bulgaria has been hampered by the EU.

Macedonia is therefore a very important transit country for the pipeline. The Turkish Stream can supply Europe with Russian gas only if it passes through Macedonia.

The United States wants to prevent this and instead build a Trans-Adriatic Pipeline. This would supply Europe with gas from Azerbaijan, which is considered to be closely allied politically, militarily and economically with the United States and co-operates with NATO. This is part of the American objective of ousting Russia from the European energy market and opening up the market to American fracking and nuclear power companies.

An Azerbaijani newspaper recently drew attention to another American concern when it reported that the United States is worried by the participation of Greece in the Turkish Stream.

There has been next to no mention in the European and American media of other possible reasons for the firefight. Kumanovo is close to the border with Kosovo, which is the main trading centre for the shipping of drugs to Europe; indeed the city is considered a stopover for drug shipments coming from Afghanistan. So was there a drug element to the incident? Quite possibly.

Nor was there any attempt to acknowledge the fact that the deaths might have been the unintended consequence of a legitimate security operation. Certainly some of the dead had KLA connections. This was admitted by Ali

Ahmeti in an interview with the Austrian newspaper *Die Presse* (19 May 2015): "I cannot deny that we knew some of the people who were involved. Some of them were former members of the KLA." Bizarrely, he then launched a verbal attack on the Russian foreign minister, Sergey Lavrov, for asserting during a visit to Serbia that "the incidents in Macedonia had been provoked by NATO, the EU and Washington. I firmly reject that."

A few days after the fighting in Kumanovo the demonstrations began. Gruevski was accused of illegal wire-tapping and corruption, and there were demands for his resignation and for new elections. The EU Commission called on the Macedonian government to come back onto the "right track" towards EU membership and EU policy. Politicians from the EU Parliament, especially members of the European People's Party (of which Fine Gael is a part), were quickly on the scene to offer their services "to help to overcome the crisis."

The German television channel N-TV reported on 20 May that "the crisis in the country increasingly worries the US government. The US government was closely observing the events in Macedonia, said the spokesman of the US State Department, Jeff Rathke. The authorities would have to examine the accusations against the government, which resulted 'from recent revelations'."

The US ambassador to Macedonia sides openly with the main opposition leader, Zoran Zaev, who is known by the local population as "America's man."

The concerns of Russia and Serbia have been dismissed as a "conspiracy theory." It is said that Russia wants to snatch Macedonia from the western alliance and split it up. This is the message of Walter Kolbow, a member of the German Social Democratic Party. Kolbow was parliamentary secretary in the German Ministry of Defence under Rudolf Scharping, who in 1999 was one of the German spokesmen for the illegal war against Yugoslavia, which violated international law.

On the other hand, the report on the Swiss web site Schweizer Magazin makes for interesting reading. In an article about the demonstrations against the Macedonian government on 20 May it says: "Last weekend, several thousand demonstrators were hauled out to the place from all corners of the country, many of whom were even paid 500 denars for displaying their demonstration enthusiasm. Instructed by George Soros, the media were asked to present the number of demonstrators as 100,000 by using skilful camera angles." In addition, the government opponents are said to have employed gangs of thugs.

The call from Brussels for Macedonia to come into the EU fold is becoming more strident. Such is the usual preliminary of the "colour revolutions" that have brought "regime change" and such political and social devastation to countries such as Ukraine.