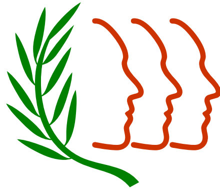

PEOPLE'S NEWS

News Digest of the People's Movement

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Greeks seek to control their fate

While the new Greek government has yet to talk of leaving the European Union, or giving up the euro, an erstwhile high priest of free markets and former head of the US Federal Reserve (central bank), Alan Greenspan, has predicted that Greece will have to leave the euro zone.

Greenspan, who was chairman of the Federal Reserve from 1987 to 2006, said: "I believe they will eventually leave. I don't think it helps them or the rest of the euro zone: it is just a matter of time before everyone recognises that parting is the best strategy."

There is "no advantage" in lending to Greece, according to Greenspan. "The problem is that there is no way that I can conceive of the euro continuing, unless and until all the members of the euro zone become politically integrated—actually, even just fiscally integrated won't do it."

The new Greek prime minister, Aléxis Tsípras, has promised to continue fighting for renegotiation of the debt while giving priority to the humanitarian crisis brought on by years of harsh austerity. However, there appears little willingness in Berlin, or at the European Central Bank, to alter the terms of its €240 billion "rescue" by the EU, ECB, and International Monetary Fund. "The [bail-out] conditions with Greece were generous, beyond all measure," the German minister of finance, Wolfgang Schäuble, has proclaimed, further declaring that he saw no justification for further alterations.

The new Greek government sent its minister of finance, Giánis Varoufákis, on a multi-country tour in the hope of winning support for proposals that include a bridge agreement to tide Greece over for a few months until a new agreement can be worked out. The night before his meeting with Schäuble, the ECB announced that it would no longer accept Greek government bonds as collateral for loans to Greek banks. And, as expected, Schäuble rejected any talk of restructuring the Greek debt.

Despite warm receptions for SYRIZA officials in Italy and France last week, those governments held the EU line and backed the German and Troika officials' insistence that Greece remain in the programme of bail-out, austerity, and debt payments. But this is politically untenable in Greece, where the austerity-crippled population strongly favours ending a regime that has seen suicides, homelessness and poverty skyrocket.

And it's not just Greece: everywhere within the euro zone there is a lack of demand, with stagnation or recession, which has lasted now for at least five years.

Some within SYRIZA (Coalition of the Radical Left) and in other countries of the euro zone believe that the "beggar thy neighbour" model of the euro zone can be reformed and

that the euro zone can be transformed into a "transfer union," for a transfer from the rich to the poorer countries.

The German current-account surplus stands at more than €200 billion. This represents a model of the German economy requiring more indebtedness by other countries, including European countries. In essence, the model needs new debt from the rest of the world of €200 million for this year to achieve a small growth of 1½ per cent.

Germany needs debtors more than any country in the world, because the whole economy is built on this surplus, on this idea that the rest of the world would be debtors and Germany always a creditor. This is mercantilism. J. M. Keynes was the first to criticise this position after the Second World War. Every reasonable economist knows it's a foolish idea.

It's the old idea that if you pile up gold or other precious metals you are a powerful country. But what they are piling up is the debt of other countries; and it's absolutely clear that this debt can never be repaid. They can't collect it. They have to give the rest of the world a chance to turn around this trade relation.

You have to give the debtor a chance to become a creditor (again a fact recognised by Keynes after the First World War); otherwise they can never repay the debt. But if the creditor insists on keeping the surplus, it's logically impossible for the debtors to repay their debt.

And it's a violation of the rule inside the monetary union that you should not have macro-economic imbalances that go beyond a certain point. The Germans insisted that it should be 6 per cent of GDP; but now the German surplus is going far beyond that. It could be 8 per cent of GDP this year.

So it's suggested that Tsípras should argue that the Germans are breaching the current account balance—while at the same time they are accusing Greece of violating other parts of the EU treaties. Whether it would be possible to build a coalition along these lines that would include Italy, Spain and France and that could get a majority in Europe against the Germans is doubtful, to say the least.

For example, the French minister of finance, Michel Sapin, has made it pretty clear that France is not going to play ball. He says there are not going to be any more "haircuts," no more reduction of debt.

If this coalition is not possible with Italy, France, and perhaps Spain, and if Germany sticks to its guns and the Troika stick to their guns, as they seem to be saying they will, then a departure by Greece from the euro zone must become an option.

If the Greek government parties follow the conditions that the Troika put upon them, they are really betraying their electorate, because they said, "We're going to stop this." This was the big promise in the whole of the election campaign. Before the election campaign they said, "Never again with the Troika, never again a memorandum of understanding," and so on. So if they do this, they're gone in Greece.

And then the question is, who would be next, or what will happen politically?

To leave the euro zone and to give up the euro is undoubtedly a very difficult question, but it cannot be left aside. Kóstas Lapavítsas, the SYRIZA coalition's other main economist, wrote in the *Guardian*: "First, the forces of austerity currently strangling Europe should not be allowed to crush the SYRIZA experiment, or turn it into a moth-eaten compromise; second, SYRIZA should make solid and meticulous preparations for all eventualities, a point that is

well understood by many within it."

Having expected harsh resistance and an onslaught of veiled threats from the financial community, it would be naïve to imagine that SYRIZA has not prepared for this exact situation. If Varoufákis's proposals—which are viewed as reasonable by most Greeks—are rejected by EU officials, more Greeks will consider leaving the euro zone as a necessary option.

At that point, if a SYRIZA government still exists, Greece can threaten to leave the EU. It should be noted that, in his book *Crisis in the Euro Zone,* Lapavítsas has supported the idea of Greece leaving the euro zone and has argued that austerity throughout Europe has been counterproductive.

A SYRIZA government that remains in the EU poses a problem for Germany and the United States on another front. SYRIZA has made it clear that it will veto any attempt to ratify the proposed Transatlantic Trade and Investment Partnership. So one part of the answer to the question whether Greece has any negotiating leverage is "Does the EU want SYRIZA to capitulate on a debt if it means the loss of the TTIP?"

Perhaps a Greek departure would benefit the EU on that front. But can the EU afford to let Greece out if this would mean further destabilising the currency union?

This is more than a game of brinkmanship. For the people of Greece, this isn't a game.

Dáil votes against an EU debt conference

Last week a motion by the Technical Group calling for a European debt conference was defeated in Dáil Éireann by 72 votes to 42. Many observers had hoped that if Greece was able to renegotiate the terms of its €240 billion bail-out, Ireland might be able to do something similar.

The independent TD Catherine Murphy tabled the motion. She said that Greece paid €8 billion in 2014 to service a debt of €315 billion, while Ireland paid €7½ billion to service a debt of €214 billion. She pointed out that "it cost us almost as much to service €100 billion less."

Who, in other words, gets the best deal from its international lenders—"good" Ireland or "bad" Greece?

Speaking at the launch of the motion, Deputy Murphy said the country's debt burden has caused a "lack of fiscal expansion and lack of investment" that needs to be addressed. *"We have so often heard promises of a 'game-changer.' Well, here is the opportunity … This is an unprecedented moment whereby we can tackle the debt crisis head on while there is a momentum across Europe to discuss debt and it's wider issues.*

"That the Irish Government has not joined in calls for a European Debt Conference just does not make sense. Surely, if we've learned any lessons from the bank guarantee it is that public inclusion and involvement in vital matters that affect their lives is vital. This is a public matter, it is not a private matter for Government and that should be respected."

Brian Lucey, professor of finance at Trinity College, Dublin, said that a Europe-wide debt conference is "a political, social and economic no-brainer. You cannot dig yourself out of a hole. It is time to put the moralising aside and start looking at solutions."

Michael Noonan rejected the suggestion that there is a "lack of solidarity in the Union," adding that he wished Greece well, as the

country has "suffered much more than Ireland." He said he had "not come across any proposal from the new Government on putting in place a debt conference," and that the country seemed to agree with the stance that "a process of negotiation is always better than one of conflict."

Enda Kenny said that any attempt by Greece to renegotiate its debts should be done through existing EU institutions. "The Greek prime minister indicated [that] Greece is prepared to negotiate, and the forum for negotiation is the Euro Group and the Ecofin meeting," Kenny told the Dáil. "That's the place where the question of debt is discussed [and] dealt with and can be changed."

Kenny was merely following the managing director of the IMF, Christine Lagarde, who said the previous week that Ireland had been "the good performer" among of the bailed-out European states but that countries should be concentrating on "growing themselves out of debt" rather than trying to get relief on their loans.

But just to be sure, Simon Coveney said that Ireland had shown that there were ways to dramatically reduce debt burdens. "If there is anything else on offer for Greece, well then, Ireland is open to look at that, but we will insist that any new or better deal applies to Ireland as well as Greece."

But he got his answer when a senior source within the euro zone said that the prospect of a renegotiated deal for Ireland was being "excluded" from the negotiations taking place on the stalled Greek bail-out. Coveney quickly toed the line, saying: "I think we are in a very good place, so the approach that Greece should take should be along those lines."

So, despite all the guff, the government backed down in the end, having briefly tried to ride two horses. This outcome was abundantly clear following the Dáil vote, and gives a glimpse of the quality and forcefulness of Irish "negotiations" throughout the crisis. The independent TD Peter Matthews was right when he said, "We should be standing side by side, shoulder to shoulder, with the Greek Prime Minister, Alexis Tsipras, and the minister of finance, Yanis Varoufakis, on the need for a debt conference for Europe. These should be our priorities."

EU proposal on trade secrets: A threat to freedom of speech

The EU Parliament has begun consideration of a proposal by the Commission on the protection of company secrets. Typically, the Commission seems determined to push ahead with the proposal in the face of widespread opposition. In public consultations, three-quarters of respondents were against.

Nessa Childers, an independent member of the EU Parliament, has warned of the dangers posed to press freedom and citizens' access to information by these proposals to establish trade secrets and to pursue in court those responsible for unauthorised publication.

According to Childers, there is a worrying lack of public awareness and debate surrounding such proposals, which are also under discussion in the US Congress. "Companies would be empowered to label certain information as too sensitive for publication and seek the punishment of those who disclose them," she said.

"While this can make sense for certain kinds of information, you cannot protect from industrial espionage through the means of, say, patent law, such as recipes, concept designs or

client data. Many want to go much further, by which I mean too far. Some go as far as proposing that companies should be allowed not to disclose their annual accounts. I can think of some benefits for some from these measures, but none in the general interest.

"The definitions of 'trade secret' being advanced by business-friendly politicians are so vague and loose that you can include virtually anything a company wants. provided they are deemed confidential, commercially valuable and subject to reasonable protection measures on the part of the company.

"The safeguards to the disclosure of information in the public interest are equally vague, and we could easily see journalists or NGOs being pursued for doing reputational damage to companies in the public interest, as already happens in the United States, particularly at the food industry's behest. These developments are unfolding on both sides of the Atlantic. Trade secrets are thus probably on track for inclusion in TTIP and should be an extra source of serious concern about its overall implications.

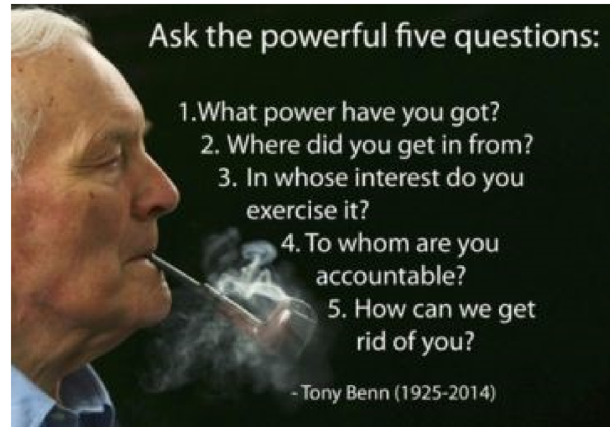
"These measures have nothing to do with preventing unfair competition but rather with helping businesses corner certain niches, at everyone else's expense. There are far too many forms of corporate pressure for media self-censorship out there, and this is the last thing journalists and the public need."

A sensible response would be to insist that governments retain the right, in the public interest, to information touching on public health and on the composition, production and effectiveness of medicines. The same should go for product safety and for information on the use of chemicals in a range of everyday products.

Journalists and whistle-blowers are likely to be among the victims of this proposed new law. The right to expose abuses must remain. You don't do that by giving corporations the right to make journalists and whistle-blowers liable for the publication of company secrets.

■ Nessa Childers plans to hold a seminar on TTIP in Dublin in late March.

Not so loony!



That infamous "loony of the left" Tony Benn was forecasting developments such as TTIP as far back as the early 1970s. About forty years ago, in a speech entitled "Multinationals and world politics," which he made to a conference of international business leaders, and which was coolly received, he said: *"In short, multinational companies employing thousands of people, controlling great resources, with a vested interest in territorial development and with reserves of capital and know-how to protect, have become states and must expect to be treated as such … The single biggest political issue of the 70s, 80s and beyond is the need for the democratisation of power."*

Democracy has never been under as much pressure as it is today, and it's time for people, regardless of their party allegiances, to waken up to the fact. It's time to scrap TTIP and CETA!

Are public services on the block at TISA talks?

Another leaked paper, made public last week, on the negotiations on the proposed Trade in Services Agreement shows that there is—at the very least—ambiguity surrounding the assurances given by the EU about the protection of public services in trade agreements.

The document was discussed by EU member-states last September at the Geneva TISA negotiations. It suggests an annex on health services that would promote offshoring by facilitating patients travelling abroad to obtain access to health services, based on the portability of health insurance.

This document looks at health services as a tradable commodity and not as a public service operated in the general interest, whose principles of organisation would be universal access, affordability, democratic control, equality, and continuity.

As the World Health Organisation explains, opening health services to the market can create a two-tier system. The European Federation of Public Service Unions, the most representative organisation of health workers in Europe, opposes such a move, because it would widen social divisions within society and promote models of health service beyond the local context and support systems for patients.

The general secretary of the EPSU, Jan Willem Goudriaan, said that "yet another leak shows that the Commission does not play straight on TISA countries' intentions. The Commission has to come forward with clear unambiguous language that demonstrates that it will not trade away public services and exclude these services from the negotiations."

At its last congress the EPSU decided to mobilise to create a wide debate to ensure that public services will not be liberalised through the back door. This latest proposal is a dangerous attack on social protection systems that are based on financial solidarity and are accessible to everybody.

But there's not a peep here in Ireland. And we'd hardly expect the government to tell us about it!

French senators reject ISDS

The French Senate has unanimously adopted a draft resolution on the dispute-resolution mechanism between states and foreign investors foreseen by the proposed Transatlantic Trade and Investment Partnership (TTIP) and the Comprehensive Economic and Trade Agreement (CETA) between the EU and Canada.

Under these agreements, companies that considered a decision taken by a state to be prejudicial to them could make a complaint against that state before a non-state tribunal.

The French Senate's resolution states that the mechanism "constitutes an intolerable attack on the sovereignty of the people and democracy." The author of the resolution, Michel Billoud, explained that "in the event of health, social and environmental decisions, the state risks being sanctioned," which to him "seems relatively unsupportable."

The vice-chairperson of the Senate's European Affairs Committee asserted that "the risk is that this type of mediation is to the detriment of states and that they could be required to pay astronomical sums to foreign investors."

After all, the arbitration system would become "part of the legal framework of our country," Senator Billout explained. He proposes instead "a form of state-to-state arbitration," or a "return to national courts with an international appeal mechanism."

Yannick Jadot, a Green Party member of the EU Parliament, wants the "pure and simple" abolition of non-state arbitration. "In principle, one needn't improve a bad system," he declared, because "we have sufficiently developed judicial systems to deal with trade disputes." He denounced the existence of "private jurisdictions" for arbitrating on such disputes.

For Jadot it is a question of exceptional justice that “supersedes the public courts” and in which the regulation of conflicts of interest “is to the detriment of the public interest.” The draft agreement is “an unacceptable transfer of democratic sovereignty from the people to multinational companies.”

The secretary of state for foreign trade, Matthias Fekl, wants to reopen negotiations on CETA, which were last taken up in September 2014.

TTIP and CETA protest

A big “Thank you” to all who helped make our “Scrap TTIP and CETA” protest at the EU Parliament offices in Dublin a success, especially to Joan Collins, Seán Crowe, Clare Daly, Éamon Devoy, Séamus Healy, Paul Murphy, David Norris, Thomas Pringle, Peadar Tóibín, Mick Wallace, and our friends from Comhlámh.

Of course the media paid no attention.

What’s the difference between Iceland and Ireland?

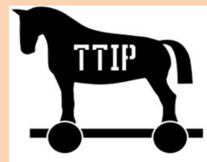
(It’s more than one letter anyway!)

Iceland’s Supreme Court has upheld the convictions for market manipulation of four former officials of the failed Kaupthing Bank in a landmark case. The country’s special prosecutor said it showed that it was possible to crack down on fraudulent bankers.

The bank’s former chief executive, Hreiðar Már Sigurðsson, a former chairman, Sigurður Einarsson, the former chief executive of Kaupthing Luxembourg, Magnús Guðmundsson, and the bank’s second-largest shareholder at the time, Ólafur Ólafsson, were all sentenced last week to between four and five-and-a-half years’ imprisonment.

Kaupthing Bank collapsed under heavy debts after the 2008 financial crisis. The Icelandic government appointed a special prosecutor to investigate its bankers after the world’s financial systems were rocked by the discovery of huge debts and widespread poor corporate governance. He said the ruling was a signal to countries that were slow to pursue similar cases that no individual was too big to be prosecuted.

TTIP: What is it, and should we be worried?



A debate on the Transatlantic Trade and Investment Partnership

With Constantin Gurdjiev (economist) and Frank Keoghan (president, Technical, Electrical and Engineering Union). Hosted by Joan Collins TD.

Friday 27 February, 7:30 p.m.
Wynn’s Hotel, Abbey Street, Dublin.

Whew, that was easy!

Professor John Fitzgerald of the Economic and Social Research Institute got far too easy a ride when he appeared last week before the Oireachtas Joint Committee of Inquiry into the Banking Crisis. He pre-empted the inevitable criticisms of his failure in 2008 to foresee the financial collapse and his earlier failure to draw a connection between the growth of a property bubble and the crisis of the financial system.

Both failures were the result of the highly political stance of the ESRI on Ireland’s position within the euro zone.

Fitzgerald's partisanship was very evident in his presentation to the committee, in which he conveniently played down, if he did not totally ignore, the improved demand conditions resulting from a competitive exchange rate as the main contributory factor in Ireland's doubled growth rate in the mid and later 1990s. The principal factor that differentiates the period 1993–99, which coincided with the economic boom, from the previous decades is that those seven years were the only period in the history of the Irish state when it followed an independent exchange-rate policy.

Adopting the euro tied the country's fortunes to the currency of an area with which it does only a third of its trade. It deprived it of the ability to restore lost economic competitiveness by altering its exchange rate. It gave the state an unsuitably low interest rate regime, which was geared to the needs of the larger euro-zone countries and was the principal cause of the property boom of the mid-2000s.

When the 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 country's membership of the euro zone and its acceptance of the rule of the ECB and the EU Commission, the managers of that entity.

In a highly political report, written by Fitzgerald and others in 1996, the ESRI made the case for adopting the euro, the main benefit of which was seen as indefinitely low interest rates. Before it adopted the euro the Republic's bank borrowings in foreign currency had traditionally been low; once within the euro zone, they soared. Unsuitable low interest rates stoked the property bubble that followed, as they did in Spain. The ECB looked on unconcerned.

Apologists for the Republic's adoption of the euro refuse to acknowledge the central role of what was in effect a floating currency and a highly completive exchange rate in doubling the country's average economic growth rate in the years from 1993 until it adopted the euro. John Fitzgerald remains such an apologist.

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Another important TTIP document leaked—and it just gets worse

This time it's a chapter concerning investor-state dispute settlement (ISDS). It's an important chapter, as it says at the start:

"The objective of this chapter is to establish an effective and efficient mechanism for avoiding and settling any dispute between the Parties concerning the interpretation and application of this Agreement with a view to arriving, where possible, at a mutually agreed solution." That is, it covers *the entire TTIP agreement,* whatever that may turn out to contain.

It describes in some detail how an arbitration panel consisting of three people would be used to resolve disputes regarding

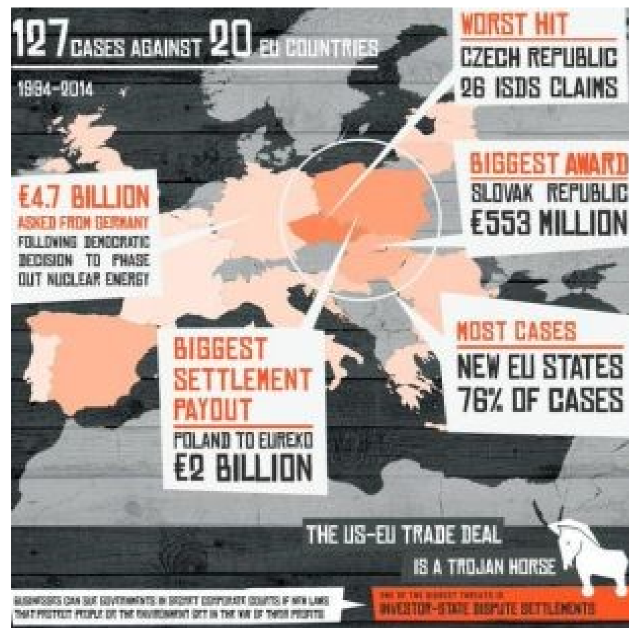
TTIP between the EU and the United States. Significantly, the text says: *"The ruling of the arbitration panel shall be unconditionally accepted by the Parties."*

When it comes to the arbitration proceedings, which would take place in either Brussels or Washington, *"only the representatives and advisers of the Parties to the dispute may address the arbitration panel."* That is to say, there would be no representatives of the public. However, the latter are graciously permitted to make written submissions to the panel: *"Unless the Parties agree otherwise within three days of the date of the establishment of the arbitration panel, the arbitration panel may receive unsolicited written submissions from natural or legal persons established in the territory of a Party to the dispute who are independent from the governments of the Parties to the dispute, provided that they are made within 10 days of the date of the establishment of the arbitration panel, that they are concise and in no case longer than 15 pages typed at double space and that they are directly relevant to a factual or a legal issue under consideration by the arbitration panel."*

Perhaps hoping to ward off criticism, the EU Commission's proposal for the resolution of disputes includes the following in the remarks section: *"This text for the dispute settlement chapter including the relevant annexes (Rules of Procedure, Code of Conduct and Mediation) is practically identical to all the texts for dispute settlement chapters (incl. its annexes) that the EU put forward in all recent bilateral negotiations of a trade agreement."* In other words, there's nothing to see here; move along, please.

And indeed the logic seems unarguable: trade agreements need dispute-settlement procedures for sorting out disagreements; this is what we've used innumerable times before; so no-one can possibly object to using it again for TTIP.

But here's the big problem with that syllogism: TTIP is not just a trade agreement.



The EU Commission's own hugely optimistic modelling of TTIP assumes that 80 per cent of the benefits will flow not from pushing to nil all trade tariffs, of which there are few, but by removing "non-tariff barriers." And those "non-tariff barriers" are such things as regulations and standards. They are essentially the cultural expressions of a nation, and help to define what kind of society we want to live in by establishing what is protected, and to what extent.

So what the Commission is proposing with the dispute-resolution chapter is how future clashes with the United States over these vital social constructs should be resolved. And the answer is: By a three-person arbitration panel. Central aspects of everyday life—the social, environmental and safety protections that have been laid down over decades or more—could be thrown out, purely on the say-so of those three people if it is decided that they clash with TTIP.

And remember: *"The ruling of the arbitration panel shall be unconditionally accepted by the Parties."* So if, for whatever reason, the panel says that a well-established regulation protecting health and safety or the environment has to go—well, it has to go, even

if the vast majority of the public that it will affect disagrees.

This exposes the canker at the heart of TTIP: it is applying trade policy instruments—and using the metric of profit—to core aspects of our lives that have nothing to do with either trade or money. This is why the Commission's "ambitious" goal of eliminating the impossibly high "25 per cent of NTB related costs" is fundamentally misguided, and profoundly wrong. And it is fundamentally undemocratic to allow an unelected supranational tribunal to make decisions, which cannot be appealed, affecting 800 million people, about cherished facets of our culture and our daily lives.

Would you allow an unelected supranational tribunal to make fundamental decisions that cannot be appealed and that would affect 800 million people?

It's time to scrap TTIP and CETA.

Donations

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Germany moves towards fracking

After a long debate over the use of fracking (hydraulic fracturing) in Germany, the government issued a draft law that would allow the controversial technology under certain conditions and in isolated cases.

The minister of the environment, Barbara Hendricks, made every effort to dispel concerns over the controversial gas-extraction technology. "In this way, we are applying the strictest rules that have ever existed in the fracking industry," she asserted. It would be permitted only under the strictest conditions and with the highest regard for the environment and for drinking-water.

The earliest possible date for its introduction would be 2019, because sample drilling must first be conducted to gather the necessary knowledge on the technology, Hendricks explained. "In general, fracking with environmentally toxic substances is prohibited," she had claimed last November. "That is also what we determined in the coalition agreement, and this ban absolutely does not expire," she said in response to a report in the weekly news magazine *Der Spiegel* that the government was planning to soften its ban on commercial fracking. The magazine wrote that trial drilling was possible if expert committees made up of at least six scientists expressed no concerns.

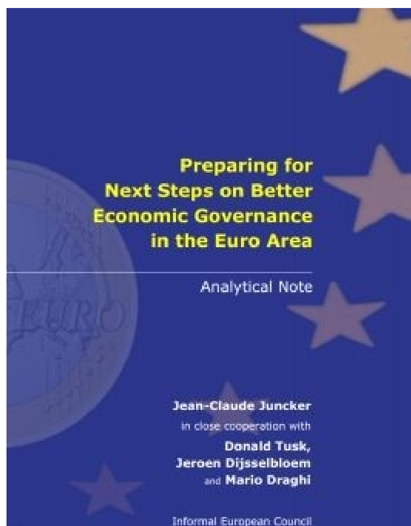
And guess what? A body of six experts selected by the government will decide whether the risks related to fracking above a depth of 3,000 metres are controllable and should be allowed for commercial purposes.

According to the environmental organisation Deutsche Umwelthilfe, the government is delegating the state's responsibility for protection to a commission whose neutrality is questionable and that is in no way democratically legitimate. Three of the six institutions mentioned have previously expressed their support for the controversial technology.

And the law is weak compared with the main points compiled last summer by the

Ministry for the Environment, Nature Conservation, Building and Nuclear Safety. At that time the measure included a full prohibition on non-conventional extraction of shale gas, with the exception of research-based sample drillings, until 2021. Following the prohibition period the restrictions would be re-evaluated in accordance with new research findings. For this reason, many environmentalists remain sceptical.

Juncker's ideas for euro-zone integration



At last week's meeting of the EU Council the president of the Commission, Jean-Claude Juncker, presented an "analytical note" with ideas on how to strengthen integration in the euro zone. These ideas are now to be discussed by euro-zone countries.

The document does not mention changes to the EU treaties but suggests considering whether the euro zone needs "strong common institutions" and "further risk-sharing in the fiscal realm"—most probably a euro-zone budget. The note also mentions "stronger common governance over structural reforms"—an idea backed by the president of the ECB, Mario Draghi.

The eight-page analysis states that there is "a need to move gradually" towards "concrete mechanisms for stronger economic policy co-ordination, convergence and solidarity," and that governments must implement "a consistent strategy around the 'virtuous triangle' of structural reforms, investment and fiscal responsibility."

The Juncker paper is the first step towards the preparation of a joint report by Juncker with the president of the EU Council, Donald Tusk, the president of the ECB, Mario Draghi, and the president of the Euro Group, Jeroen Dijsselbloem, on the future of the Economic and Monetary Union expected for June.

EU-wide tax shelved—for now

A plan to increase the EU's so-called "own resources" was put forward by the Commission in June 2011 when it tabled its budget proposal for 2014–2020. Suggestions included a tax on financial transactions, an EU VAT, a charge related to air transport, and a share of auctioning income derived from the bloc's trading scheme for carbon dioxide emissions.

A high-level group on the EU's own resources, containing representatives of the Commission, the Council, and the Parliament, was established last year to resolve the thorny issue. After months of work the president of the task force, the former Italian prime minister Mario Monti, presented his preliminary evaluation last week.

Under the existing system the vast majority of the EU budget comes not from its own resources but directly from the member-states' coffers. "Around 83 per cent of the resources in the 2014 budget took the form of direct contributions from national budgets," Monti said. "This set-up has made member-states even more acrimonious during budget negotiations."

Alain Lamassoure, a member of the high-level group, said that "the Council admits that there are problems with the financing. It is opaque. It is also anti-democratic, because no parliaments are involved. It is ineffective,

because there are payments shortages. It is unfair: the richer a country, the less it pays.”

When the Commission tabled its proposal to increase the EU’s own resources in 2011 the idea was immediately rejected by Britain as “unrealistic.” Germany also opposed the plan, arguing instead for increasing national contributions to the EU budget; it would even go further and delete the existing VAT component of the own-resources regime, saying it is too complicated to calculate. France was among the few countries to support the plan.

The EU Parliament has been pushing for financial reform of the budget since 2006, but it was the turbulent negotiations of the EU’s multi-annual financial framework for 2014–2020 that led to the creation of the group.

The cautious nature of the expert group’s preliminary evaluation is also in part due to the difficult process involved in ratifying any fiscal reform. Any change to the rules concerning the financing of the EU budget requires a unanimous vote in the Council. National parliaments have an equal stake in this vast renegotiation process, as they also have to ratify any reforms to EU financial rules.

Oireachtas failing to control ministers on EU issues

The Oireachtas Joint Committee on European Union Affairs has the power to make recommendations to the minister for foreign affairs and trade (or minister of state) on European Union matters. It may also, among other functions, consider notifications of proposals for the amendment of the treaties received from the EU Council, pursuant to article 48.2 of the Treaty on European Union—the power to initiate Treaty amendments; and that’s about it.

So the committee regularly hears foreign experts on matters pertaining to EU affairs, and occasionally makes recommendations to the minister. Last June, following a consideration of TTIP, it recommended that a deeper debate on its implications was necessary. They’re still waiting!

The truth is that the Oireachtas also lacks any proper way of holding ministers to account for what they do or decide in Europe. Voters often worry that decisions on EU matters are taken by people beyond their reach or influence, and this is absolutely true—and not only for ordinary voters but for most of those whom they elect to represent their interests.

Enda Kenny’s bland report on the last EU Council meeting was terse and sparse—and that’s being considerate.

In Denmark the Folketing places powers of scrutiny in the hands of a European Affairs Committee. A central pillar of the Danish system is this committee’s ability to issue formal, binding mandates to ministers before meetings of the EU Council and before negotiations on any issues considered to be important. We urgently need such a system of accountability in Ireland.

Ever since the first discussions on Danish membership of the European Economic Community, now the EU, politicians have concentrated on safeguarding the power of the Danish parliament to scrutinise Danish EU policy and government participation in the meetings of the Council of Ministers.

In the Netherlands the Dutch equivalent of Oireachtas committees are each responsible for scrutiny in their own areas of expertise. The committees decide what policy areas to give priority to in a given year in accordance with the EU Commission’s work. Ministers are

accountable directly to the relevant sectoral committee, and must appear before EU Council meetings to explain the Dutch government's position.

In Germany another central committee has important matters referred to it by other sector-specific parliamentary committees, and the government is obliged to take account of the Bundestag's opinion, which in some cases is binding, before EU summits; so Angela Merkel is accountable firstly to the Bundestag. The government is also obliged to notify the Bundestag comprehensively, and as early as possible, on matters concerning the EU.

In Britain they have a European Scrutiny Committee that is on the margins. In Parliament more generally, ministers typically come to the House of Commons only after they have come back from Europe, not before they go out—the system that also prevails in Ireland.

It's time that ministers attending Council meetings, and the Taoiseach attending summits, are given a clear mandate from the Oireachtas before heading off to Brussels. After all, about 70 per cent of our laws come from there; and, disgracefully, most of those are approved under the "A lists" procedure—without debate. What this means is that they are never subjected to legislative scrutiny of any nature but are drafted by EU civil servants and are not scrutinised by EU parliamentarians, by Irish ministers, or by the Oireachtas.

That's far from democratic, and it underlines the unaccountability of EU institutions.

But then, who ever heard of a "parliament" that couldn't initiate legislation? Well, the EU has one!

Myths about neo-liberal "structural reform"

The intellectual case against austerity is easy to make, because so much empirical data is stacked up against it. However, another aspect of the EU's current economic ideological line—deep structural reforms aligned with the neo-liberal vision of economic operations—poses greater challenges, because of the complexities involved in the comparison of countries with different cultural environments and institutional settings, and because, as a result, the effects of neo-liberal policies have not been uniform among countries.

In general, therefore, structural reforms enjoy more support even among people sceptical about the benefits of austerity, although the experience with neo-liberal structural reforms has been extremely negative when it comes to matters of inequality and inefficiency for many countries around the world.

Part of the explanation for this "anomaly" is the consolidation of neo-liberalism as the "central organising principle" for the EU integration project since the Maastricht Treaty, and the fact that alternative policies for escaping from the current crisis rarely receive the widespread public attention they deserve—though they provide realistic alternatives to the unbalanced economies of the euro zone.

The driving principles for the neo-liberal approach to economy and society are the privatisation of public goods and services, the deregulation of markets, and the restructuring of the state into an agency that facilitates and protects unfettered capital accumulation while it shifts an increasing amount of resources from the public realm to the private sector—especially in the direction of the dominant fraction of capital in today's advanced capitalist societies, that is, "financial" capital.

The bailing out of bankrupt banking and financial institutions in the United States over the course of the latest global financial crisis, as well as of peripheral countries in the euro area by the EU authorities, needs to be understood within the context of the changes that have taken place in political economy since the early 1980s, which mark the re-emergence of predatory capitalism and the establishment of neo-liberalism as the new institutional and ideological framework for capital accumulation on a global scale.

The neo-liberal project takes form and shape on account of the collapse, some time in the mid-1970s, of the post-war structure of capital accumulation, which was based on the "Fordist" model of production and government policies, which in turn were loosely based on Keynesian (or, more accurately, pseudo-Keynesian) economics.

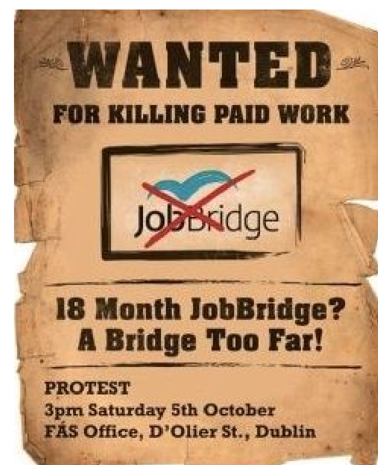
What followed was a distressed period of "stagflation" and a fiscal crisis of the state, which prepared the ground for the resuscitation of "free market" economics. Indeed by the early to mid-1980s academic economists were abandoning "Keynesian" economics *en masse* and taking up instead the cause of promoting the virtues of neo-liberal economics, as articulated in the works of Friedrich Hayek and Milton Friedman.

Indeed it is highly unlikely that the neo-liberal revolution would have succeeded if it had not found so much support among academics, the mass media, and politicians.

Yet all the while the public in the advanced industrialised societies continued to believe in the necessity for public services and a welfare state. The elite forces seeking the retreat of the social state would not have succeeded if the intellectual elite in the United States and Europe had not themselves embraced the neo-liberal vision.

In practical terms, the retreat of the welfare state and the implementation of structural reforms throughout the economy meant debilitating the capacity of organised labour to resist structural changes favouring the interests of capital. Organised labour therefore became a direct target for the neo-liberal agenda, to be blamed for virtually every economic and social ill facing those societies.

In Europe, neo-liberal structural reforms have been adopted as a major objective of economic policy since the Maastricht Treaty, primarily as a means of increasing competitiveness—and therefore securing a larger share of profits for capital. With the European Central Bank having jumped on the bandwagon, structural reforms are mandated by the EU authorities, alongside austerity, for the purpose of fiscal consolidation. The claim, of course, is that "structural reforms" will produce greater growth potential and thus more jobs.



In other words, the answer to the very problems created by anti-growth austerity policies now rests with radical labour market reforms, further liberalisation, and more privatisation. In the case of Ireland, Greece, Spain, and Portugal, the same claims were

made by the EU authorities and IMF officials, namely that there were labour market inefficiencies that contributed to a loss in competitiveness (and thus to high deficits and debt levels as well as high unemployment rates), and that reducing the cost of labour would increase employment.

In all four countries the alleged culprit was the public sector (allegedly bloated, corrupt, and with an inherent propensity to run huge deficits), while inflexible markets and high labour costs were the forces that supposedly prevented rapid recovery. There was total silence over the fact that it was actually the private sector (mainly the banking and financial industry) that brought about the calamity in all four countries, even if in the case of Greece the crisis took the shape of a fiscal crisis when private lenders (mostly European banks overflowing with cash that could not find proper investment opportunities) stopped pouring excessive amounts of money into the economy.

As with austerity, the claims about the alleged benefits of neo-liberal structural reforms were not based on measurable data but rested purely on ideological bias, which reflected particular class positions. The idea that anyone can measure or say with certainty by what amount, if any, flexible labour markets add to GDP is simply absurd. What we do know, however, is that structural reforms tend to exacerbate income inequality and lead to precarious employment.

The problem with structural reforms is that they treat labour markets like any other market. Workers are commodities, to be used and disposed of like any other product; hence the retreat of contemporary policy-makers and mainstream economists from the "full employment" vision that was central to Keynes's own work.

Hence also the double standard applied in today's labour market to corporate executives and workers, with the former enjoying all sorts of privileges, outrageous salaries, and highly generous protection packages in the event of termination, while average workers enjoy minimum wages, no protection from dismissal, and lower unemployment benefits.

The evidence that "structural reforms" can boost jobs in the context of fiscal consolidation is hard, if not impossible, to find in the bailed-out countries of the euro zone. What "structural reforms" do accomplish, however, is the creation of highly flexible labour markets, where precarious work becomes the most prevalent feature, increased inequality is the order of the day, and the transfer of public wealth to private hands through the policies of privatisation is a widespread practice.

The notion that "structural reforms" can serve as a tool for solving major economic problems can best be described as a scam. Indeed it appears to be the case, as Paul Krugman so pointedly put it recently, that "structural reform is the last refuge of scoundrels".