People’s News

News Digest of the People’s Movement

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Can we learn from Iceland?

In Iceland, civil society continues to motivate and direct fundamental change. Grassroots organisations including think tank The Ministry of Ideas have sought to achieve something that the system itself could not.

As part an ambitious initiative in participative democracy, the first National Assembly has been held in Reykjavik. Some 1,200 citizens randomly selected from the national register and 300 invited guests, including cabinet ministers and MPs, trade unions, representatives from the media and others, were assembled. There are lots of photos at: http://www.flickr.com/photos/thjodfundur2009/page17/

The task of the National Assembly, comprising 0.5 per cent of the population, was to plan a future vision for the country. People were asked what sort of society Iceland should now build in the aftermath of the crisis. Participants were divided into roundtable groups of nine working at 162 tables. Information technology made it possible to determine the priority order of the various values and themes. The process can be observed at: http://www.youtube.com/watch?v=9ywBInEfoIw or by using Iceland national assembly as a search subject. By using the data in a transparent way, consensus was quickly established among the 1,500 participants about which issues should take precedence, and why. The technological process used was developed by the Harvard Kennedy School.

The National Assembly concluded that integrity was the value considered most important for society. Equal rights, respect and justice, responsibility, freedom, sustainability and democracy were regarded as high priorities, as were family, equality and trust: http://thjodfundur2009.is/english/
The eight themes discussed by participants included education, economy, equal rights, family, environment, public administration, welfare and sustainability.

The broad consensus which emerged accepted that the National Assembly findings do not equate with radical change but rather a vision for the reconstruction of a society which is the prerequisite for a real beginning. In Ireland, we might call that a second republic.

Justice was an underlying issue. Icelanders demanded that small-time debtors were entitled to the same degree of government assistance as the financial institutions. Icelanders believe that those who caused or contributed to the bankruptcy of their country (the banks, with the tacit support of the politicians) must be held accountable for their actions in order for Icelandic society to credibly move forward. A year on, and a public investigation to establish whether any wrongdoing occurred in the banking system is gathering steam.

In Ireland we have the precedent of the Back Lane Parliament during the years leading up to the '98 Rising and the popular resistance to evictions (repossessions) is well documented. By resurrecting the former as a People's Assembly (or Parliament) and the latter as a 'Bail out the people – not the banks' campaign while simultaneously attempting to initiate a real public enquiry into the causes of the crisis – perhaps under the auspices of the People's Assembly – we could make a meaningful and perhaps lasting intervention into the Irish political system. The People's Assembly could then draw up the People's Charter. We have good contacts in Iceland who could guide us in the process. The question is: are we up to it?

Iceland's referendum decision puts EU membership bid at risk!

Iceland's EU membership bid was seen as at stake on Tuesday after a decision by the country's president to block legislation on paying billions of euros to Britain and the Netherlands to compensate investors in the collapsed Icelandic bank Icesave.

The Icelandic parliament – Althing

In a televised speech, President Olafur Ragnar Grimsson acknowledged the strength of popular opposition to the deal among ordinary Icelanders, many of whom are questioning why they have to pay for the actions of their country's banks. His move means the issue will now be put to a referendum.

Reykjavík

Last June, Iceland made an agreement with London and the Hague to pay them back €3.8 billion they used to compensate British and Dutch savers who lost money in October 2008 when their accounts with the online savings account Icesave were frozen, following the collapse of the parent company Landsbanki.

The president said an 'overwhelming majority' wanted a direct say over the issue after a petition objecting to the terms of paying back the loan gathered the support of one fifth of the population. Under the terms of the agreement the loan will be paid back over 15 years with interest, with estimates suggesting every household will have to contribute around 45,000 euros.

Feelings in Iceland have been running high, particularly after the heavy handed tactics at the height of the crisis used by Britain which invoked an anti-terrorism law to freeze the country's assets in the UK. 'It is the cornerstone of the constitutional structure of the Republic of Iceland that the people are the supreme judge of the validity of the law' said Mr Grimsson.

The president's decision has prompted an immediate and angry response. The *Times* newspaper reported that Britain's financial services minister Lord Myners said that if the referendum decision was allowed to stand then Iceland would be frozen out of the international financial system and would not be able to join the European Union.

With recent polls showing that Icelanders would likely reject the terms of the repayment in any referendum, the country's EU path is also set to be affected. Once hailed as a probable EU member shoo-in, the banking situation as well as Icelanders more ambivalent feelings about joining the 27-nation bloc is likely to complicate the negotiation process. *EUObserver*

A decisive shift in the EU's institutional procedures.

When Swedish Prime Minister Reinfeldt chaired the latest European Council meeting in December, heads of state and government were alone in the room. Foreign ministers were not invited. Heads of state and government are normally alone during summit dinners and that is when they discuss sensitive matters. But they are not accustomed to being alone at the table when for example, presidency conclusions are finalised during the second summit day.

Excluding foreign ministers from future European Council meetings means that each prime minister will find himself (or herself) on his own. If he or she does not know the substance and details of the subject being discussed, they will be in trouble. This is important because European Council meetings are for heads of state and government only. Merely a handful of civil servants from the Council secretariat and the Presidency are allowed in the room. When complex issues are discussed at summits, ministers at home tend to be nervous and there are numerous examples of EU-leaders accepting compromises and not realising what they Herman Van Rompuy actually said yes to until after the meeting.

What this means in practice remains to be seen but our dependence on Brian Cowan and his knowledge of EU affairs will definitely increase. The new EU president, van Rompuy will probably try to get EU leaders to meet more frequently than the present four summits a year and has already called an unscheduled Council meeting for mid-February.

The EU's grand designs for new president

The president of the European Union is to be given a personal jet, a palatial official residence and a personal staff of up to 22, under plans discussed at a 'secret working dinner' between José Manuel Barroso, the European Commission president, and EU ambassadors.

Current proposals suggest an EU presidential team of between 16 and 22 people. Such a number would be an important measure of the power of the position. In comparison, Mr Barroso presides over a cabinet of 13 people.

Some EU member states, including federalist countries keen to give the post an aura of gravitas - and even statehood - have urged that the new president be granted an official 'White House' style residence worthy of his status.

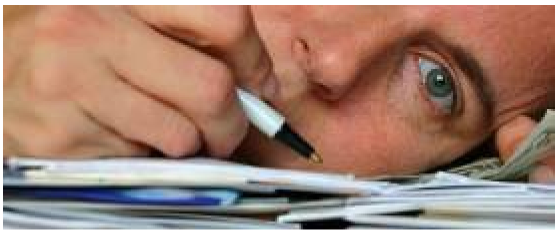
And, because the new president will have a globetrotting role, some diplomats have argued that he should have the use of a personal aircraft, leading to inevitable comparisons with the American presidential jet, Air Force One. Under French plans, the new figurehead would also play a key role in forming a Euro-defence 'vanguard group' of up to eight countries and by pledging to keep its leader in such style, the EU is demonstrating its desire to be a global player

It was further reported that the EU's new full-time President Herman Van Rompuy is to cost taxpayers nearly €320 million, earning more than US President Barack Obama. His salary is €290,814 a year – the US President gets €275,000. In addition, the EU is spending another €300 million building a new facility to house the President's office.

Threat to Irish policy as common tax base back on EU agenda again

The *Sunday Business Post* reports that the introduction of a common tax base for businesses in the European Union is likely to be proposed early this year when the new European Commission takes office.

Moves to establish the common tax base were suspended after the defeat of the first Lisbon referendum in Ireland. The harmonisation of taxes was one of the issues at the centre of the referendum campaign.



The Irish government has repeatedly stressed its opposition to the establishment of such a 'common consolidated corporate tax base' (CCCTB), claiming that the measure would undermine the state's independence in tax matters.

The CCCTB would introduce common rules about what profits were taxable in the EU and where, and which costs could be offset against tax bills. The move is opposed by the government, which believes that this would harm Ireland's tax competitiveness and damage the attractiveness of the country for foreign direct investment, particularly from the US.

However, other governments, especially those who believe Ireland's low corporate tax rates constitute unfair competition, are in favour of the move.

The CCCTB proposal dates back to 2001 and a working group has been pushing ahead with the proposal since 2004, despite the objections of Ireland and other member states. The group has produced an outline of how the common tax base might work.

One proposal suggests a formula for deciding what proportion of a company's tax should be paid in which country. Ireland objected to this proposal in particular, because the formula suggested that some profits would be taxed in the country where products were sold, rather than where the company is based. This would work to the advantage of the large markets.

The introduction of a common tax base would require unanimous approval by member states. While Ireland and several other countries remain completely opposed, a smaller group of countries could proceed with such a plan under the enhanced co-operation procedures.

The president of the European Commission, Barroso, confirmed this was possible in an interview last year.

Meanwhile, a document entitled 'The EU's 2020 Vision' drawn up by the Socialist group in the European Parliament, which includes the Irish Labour Party MEPs, calls for a bigger EU budget, common EU taxes and VAT harmonisation across the bloc.

European Parliament report says harmonising direct taxation 'is desirable'

Jerzy Buzek, president of the European Parliament

A report entitled 'EU policy challenges 2009-2019', prepared by policy experts employed at the European Parliament has suggested that the economic crisis could present an opportunity to harmonise taxation policy across EU member states.

The report sets out three possible scenarios for economic and monetary union, with one option reading: 'Tax policies and tax legislation/practices in Member States are further harmonized, especially in direct taxation. This allows for a smoother functioning of the single market, thus providing implicit insurance against asymmetric shocks and crises.' The report says that this option 'is desirable but has not been realistic until now. It remains to be seen whether the crisis presents a lasting opportunity for more harmonization in direct taxation legislation, such as the Common Consolidated Corporate Tax Base (CCCTB), which the EP has been actively calling for.'

http://www.ep-president.eu/view/en/Europe_2009_2019.

Are we about to see the beginning of the end of eurozone membership?

In putting financial considerations before social ones, the governments of Europe have ensured that things can only get worse It is now nearly 20 years since the British chancellor Norman Lamont made his notorious remark that unemployment was a 'price worth paying' for the restoration of economic stability. Lamont was at once condemned for his comments, made at the height of Britain's ill-fated membership of the Exchange Rate Mechanism. Now, two decades later, the Euro, and the rigid economic policy a single currency implies, is having socially catastrophic effects in Ireland and across much of Europe.

In Spain, unemployment has already reached 19.3%. But unemployment for those between 16-24 is a catastrophic 42%. In Greece, youth unemployment is 25%, in Ireland 28.4% and Italy 26.9%. Marginal eurozone countries such as Greece, Spain and Ireland are not just in recession. They are in depression – and so long as they remain inside the euro there seems to be no exit.

A Dublin Dole queue Before their decision to abandon economic sovereignty and sign up to the euro, policymakers in Ireland and elsewhere had a tried and tested response to the kind of global setback of the last two years – depreciate the currency and loosen fiscal and monetary policy. But inside the euro, individual countries are stripped of the ability to manage their own economies. That is why the global recession has been far more devastating for some eurozone members than would otherwise have been the case.

The European single currency amounts to an experiment in social and economic engineering and the big question is whether it will work. There is a universal belief among the European political and economic elite that the euro will continue, no matter how much damage it inflicts or how many jobs it costs. George Papandreou, the socialist prime minister of Greece, insists that a return to the drachma will never happen. So does Jean-Claude Trichet, president of the European Central Bank (ECB). So do Angela Merkel and Nicolas Sarkozy, Goldman Sachs, Morgan Stanley, the US Treasury and the Bilderberg group.

It would seem that this analysis is mistaken, and that the eurozone will in due course collapse (as Marx might have remarked) under the weight of its own contradictions. It is designed to do all the things that bankers have historically wanted: create efficient markets, drive down the cost of labour, impose price stability, eliminate trade barriers, confound national boundaries and maximise corporate profits. Bankers don't care much about youth unemployment in Limerick or home repossessions in Galway or riots on the streets of Athens. They worry about the bottom line and the euro has been very good for the bottom line, with stock markets up by an obscene 50% over the last eight months.

There remains, however, the contradiction between the calamity that is hitting home on the streets, housing estates and industrial estates of Europe and the bourgeois comfort and intellectual certainty of the international capitalist class. According to traditional democratic theory, this contradiction would quickly manifest itself in the political sphere. Mainstream political parties would normally articulate the suffering of working men and women and call for a return to humane economic policies. But this has not happened. The central mystery at the heart of the modern European predicament is why the euro is accepted without question by mainstream parties of right and left across the continent.

The European political class has done something extraordinary: it has turned its back on politics as democracy has been hollowed out across the EU. A new notion of democracy has emerged instead, only stripped of its popular component. This elite withdrawal from mass electoral politics, characteristic of so many modern European states, has closed out the euro as a subject of legitimate discussion just as it similarly closed out questioning the virtue of continued membership of the EU. This failure of mainstream politicians to engage with the social and economic consequences of the European single currency has handed over power without demur to the bankers.

The implications are profound. The French philosopher Louis Althusser spoke in terms of a problematic – a system of unspoken questions governing the answers that a given text or discourse cannot answer. This term is helpful when confronting the prevailing European economic and social dynamic. The true nature of current events cannot be perceived without reference to the insuperable constraints imposed by the euro. Yet the rules of European economic discourse determine that these constraints cannot even be articulated. We are witnessing is a potential political and economic tragedy.

Elite constructions such as the EU may sometimes be able to treat the voters with disdain, but never the markets – and the brutal truth is that the crisis is about to get worse. For the time being, the European Central Bank has adopted a very easy monetary policy. If, as economists now project, the overall economy of the eurozone starts to grow, the ECB is bound to raise interests and reduce liquidity. Such a policy would suit Germany, which has coped well with the recession, has a jobless rate of about 8% and a healthy trade surplus. But it would be terrible for Ireland, with its 14% unemployment and negative growth.

This would not matter if Germany had the deutschmark and Ireland the punt. The mark would appreciate and the punt fall. Ireland's exports would increase, helping demand and reducing unemployment. None of this can happen while Ireland and Germany remain uneasy partners in the euro. Peter Mandelson, has pointed out this week that Britain's freedom of action outside the eurozone has allowed the country to limit the damage from the economic crisis, 'Sterling flexibility has provided an additional support to demand,' he said, referring to the 25pc devaluation of the pound over the last two years which he said had served as a shock-absorber for the economy. Mandelson praised the Bank of England for using quantitative easing – essentially printing money – a policy which isn't possible for countries such as Ireland, Spain and Greece, which face debt-deflation strains within the eurozone.

The problem would be more manageable if there were political unity in Europe. Germany would then make the massive fiscal transfers necessary to bail Ireland out of its difficulties – just as the Fed does for disadvantaged areas of the US during a recession – though this is, of course, not a case for European political unity.

More sauce for the goose – EU judges ruling on controversial 3.7% pay increase will benefit personally

The BBC reports that the European Commission on Wednesday decided to take the EU's 27 member states to the EU's European Court of Justice (ECJ) in an attempt to overturn their opposition to a 3.7 percent pay increase for EU officials. National governments offered a compromise 1.85 percent increase before Christmas but the Commission has described the reduced increase as 'illegal'. The move to halve the expected pay rise would save member states' treasuries about €90m.

The EU's ECJ judges in Luxembourg, who have consistently found against workers and their unions and who earn €235,000 a year, will rule on the case this summer even though they themselves stand to benefit from the pay rise as EU officials. The decision to take the matter to the ECJ was decided unanimously among the 27 EU Commissioners.

Meanwhile, European Voice reports that the President and Vice-Presidents of the European Parliament are seeking to increase the allowance that MEPs are paid to employ office assistants by 8.6 percent, more than double the 3.7 percent currently being disputed for other EU officials.

EU refuses to assist Greece if it goes bankrupt

Amid continuing concern over the economic situation in Greece following this week's cut in its credit rating, EU Monetary Affairs Commissioner Joaquin Almunia is now clearly saying that the Commission will only help when there is a 'consolidation and reform program' – in other words; an IMF supervised programme of wage cuts, privatisations and cuts in social services similar to what is being implemented incrementally in Ireland.

'Rather than acting as a stimulus to deep economic reform, Euro membership has rather acted to reward those countries who would get into more and more debt, with ever less sustainable economic models, by supplying them with funding at far cheaper rates of interest than the markets would otherwise make available.' So, Euro membership did get us into after all and won't get us out of it!

Meanwhile, the *Wall Street Journal* reports that the gap between the eurozone's strong and weak economies widened at the end of 2009, with Germany's services sector racing ahead, while Spain's service sector contraction deepened (Ireland's position has always been counter – cyclical). The paper notes that 'These wide variations in economic conditions between eurozone members will make life harder for the European Central Bank to set policy for the region' – but that hasn't stopped them before!