



People's News

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Budget 2010 will not get us out of recession



Budget 2010 projects the priorities of the European Central Bank and the leading business organisations in this country onto the backs of the poor and vulnerable. It will cause immense hardship and will do nothing to get the economy out of recession. The four billion in savings could have been found in a variety of ways which would not drive people into a cycle of unemployment, poverty and housing repossessions.

The current approach has been driven in the first place by a business group agenda which is determined to drive down wages and social welfare across the economy. More of the same will be sought next year, with further demands for wage reductions and cuts in welfare spending. If left unchallenged, this will ultimately bring Ireland in to the low wage and poor welfare state model of the USA.

This is the Irish government determining the nature of the cuts but the extent is dictated by the second driver – the EU's Stability Pact. Our debt-to-GDP ratio must be maintained at 3% –

it is currently forecast to reach 12% – and the rapidity with which it must be brought into line is dictated by the European Central Bank (ECB). Originally, we were given until 2013 but now, for reasons somehow connected with the Lisbon Treaty, we have been given until 2014. This is what determines the severity of the cuts.

An example of the extent of the cuts for those at work in lower-paid jobs has been furnished by Tom O'Connor, of the department of economics, Cork Institute of Technology, who has found that a young fireman on €34,000 who before last year's budget and the supplementary budget would have taken home €28,650 and who, following the application of budget '09 will take home €22,268. In 14 months, the fireman has lost €6,382 which is 22.3% of disposable income. Similar treatment has already been meted out to over 30% of those in the private sector.

We are now told that pay cuts of the same order are in store for next year, and even a further pay cut the year after. It is more than likely that many of these workers have already become part of the 27,000 people who are currently defaulting on their mortgages. The public are also being told that they are part of the problem with the public finances and given the lack of action and resigned acceptance of the cuts on the part of workers, it would appear that the government has been successful in convincing them.

However, people have forgotten that €13 billion was spent on tax breaks to the wealthy up to 2006 which was over half the exchequer deficit this year. Essentially, if these tax breaks

were not delivered, then our exchequer deficit now would be only €12 billion.

There are 425,000 people on the dole who worked hard to fuel the Celtic tiger. Many of these were young people who worked in construction as apprentices, and who are now being offered €100 or €150 per week in a cynical attempt on the part of the government to run them out of the country and bring down the unemployed figures. These form part of the hundreds of thousands of unemployed who know that despite cutting their dole massively, the government is doing nothing to create jobs. The so called 'stimulus package' in the budget amounts to a modest cut in alcohol prices and a paltry scrappage scheme. This will keep the 425,000 people on the dole.

What these jobseekers don't know is that the government has €14 billion in reserve in the National Pension Reserve Fund, and they won't use a single cent of it to stimulate the economy. It is clear that €7 billion of this has already been given to the banks but the government will spend nothing to get the economy going. Why? Insiders in the financial world have stated that it is the government's intention to give this €14 billion to the banks to bolster their share capital base, while leaving hundreds of thousands on dole queues and cutting welfare payments to the point where people may even suffer 'food poverty' not to mention 'heat poverty', which so often kills off older people.

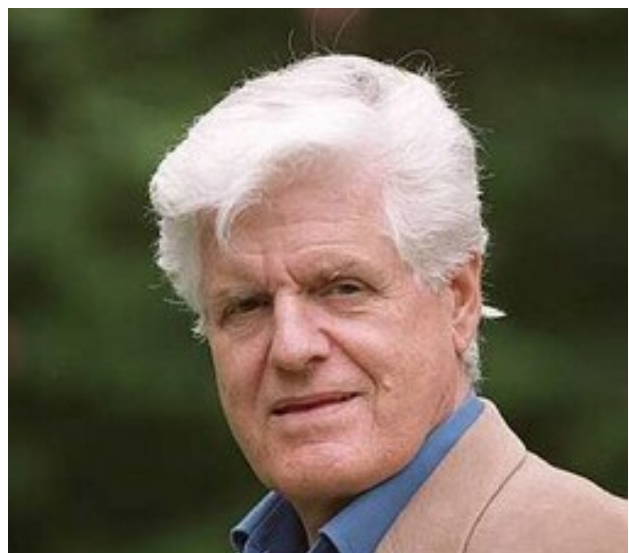
The huge loss of income to the public service, welfare cutbacks and the huge cut in capital spending of over €7 billion from the government capital spending programme will prevent any possible move out of recession next year. It will drive growth next year down well beyond the 3% fall projected to at least double that number. It may well prevent the economy recovering even by 2011. The social cost of this budget in terms of massive

unemployment, a definite sharp rise of those in serious poverty, a likely strong rise in emigration, cuts in community services, and its certain effect of increasing housing repossessions will be enormous. Hundreds or even thousands of young unemployed people living in rent allowance accommodation will almost certainly be driven to homelessness.

The reason for this unthinkable harshness has been the government's pandering to those in the high echelons of international financial markets and large business groups in Ireland which has resulted in the choice being made to opt for wage deflation at all levels. This option coupled with the rapidity of its imposition at the behest of the ECB will drop hundreds of thousands more people into poverty and will do nothing to get us out of recession.

A date for your 2010 diary!

On 10 September 2010, Ragnar Arnalds, a former Icelandic member of parliament and twice a cabinet minister, will speak at the Desmond Greaves School in Dublin on the subject of 'Iceland, the euro and the EU'.



Arnalds served as Iceland's [minister for finance](#) from 1980 to 1983 and was chairman of the [People's Alliance](#) from 1968 to 1977. At present Arnalds serves as a member of the

board of governors of the Central Bank of Iceland and as chairman of [Heimssýn](#), the cross-political Icelandic EU-critical organisation. This is certain to be a most interesting talk.

Europe moves toward single area on justice and home affairs

EU leaders have adopted a five-year plan giving a greater role to community bodies in the area of justice and home affairs, establishing an 'internal security strategy' and pointing toward a common asylum system by 2012.

Training and exchange programmes for policemen and judges to facilitate co-operation at a personal level are also part of the scheme. 'The challenge is to ensure respect for fundamental rights and freedoms and integrity while guaranteeing security in Europe', European Commission president José Manuel Barroso said after the meeting of the bloc's leaders.

Under the provisions of the Lisbon treaty which came into force on 1 December, Brussels gains more powers in the area of justice and home affairs, through the strengthening of agencies such as Frontex, the border management agency, and Europol, the police co-operation body. An 'internal security' body (COSI) will also be set up within the Council of the EU, the administrative body serving member states in their decision-making process.



The agreement called for the development of an EU-wide 'internal security strategy', focusing on the division of labour between Brussels and national capitals in counter-terrorism, border management, civil protection and judicial co-operation in criminal matters.

The new security body (COSI) would be tasked to develop, monitor and implement this strategy. However, civil liberty watchdogs fear that this body will lack transparency and accountability. 'COSI is going to be a very powerful body ... and should be accountable to national and European parliaments', Tony Bunyan from Statewatch writes. Annie David of the French Senate said 'the security aspects of the programme are worrying' and give the impression of a 'fortress Europe'.

All measures for implementing the Stockholm programme will have to be tabled by the EU Commission by June next year.

Incoming commissioners to face grilling on EU-wide taxes and EU bonds

Groupings in the European Parliament yesterday called for transparency and information about the nominees for EU commissioners ahead of the hearings to begin on 11 January, with the Bulgarian nominee emerging as the most controversial. *EurActiv* reports that Rumiana Jeleva, Commissioner-designate for Humanitarian Aid, has come under scrutiny from Bulgarian media as her husband Krassimir Jelev is branch manager of the Central Cooperative Bank, reportedly part of the secretive 'TIM' business group, believed to be linked to 'shady' Russian funds.

Meanwhile, the ALDE tabled a 30-page long document which includes guidelines for each commissioner-candidate to successfully come through the hearings, saying: 'They have to know in advance what the priorities are for the Alliance of European Liberals and Democrats (ALDE)'. The guidelines reportedly focus on

economic recovery, the *introduction of EU taxes* and the creation of EU bonds.

German Constitutional Court to rule on implementation of EU Data Retention Directive

The German federal government is being forced to defend the EU's controversial Data Retention Directive before the country's Constitutional Court. The German government has argued that the Directive, which requires service providers to store all phone and internet connections, is necessary for the prosecution of criminal offences. However, FDP politician Burkhard Hirsch, described the law as a 'fundamental breach of the right to communicate without surveillance, as long as one is not under concrete suspicion'. The Court's verdict is expected in the spring.

The Irish Centre for EU Law has said that the Communications (Retention of Data) Bill 2009, designed to facilitate transposition of the directive into Irish law, 'is very very badly and hastily drafted legislation'.

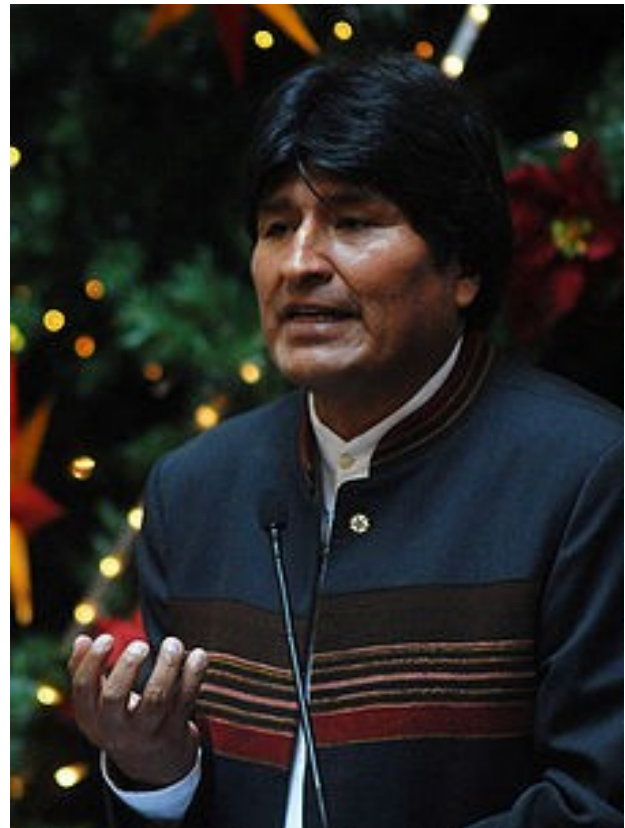
[AFP Open Europe research](#)

Spain vows to take backstage role with EU presidency

Spain has vowed to take a backstage role during its stint as holder of the six-month rotating EU presidency, promising to defer to Herman Van Rompuy, the EU's first permanent president, and Catherine Ashton, the new foreign minister. Spanish foreign minister Miguel Angel Moratinos said: 'I would like to state it very clearly. The engagement of the prime minister of Spain and of the entire Spanish government is that we have new European representatives who will lead, give momentum and will steer [the Union] through the first semester of 2010.'

[Euractiv](#)

Copenhagen failure 'shameful'



The Copenhagen summit, billed as a historic meeting about nothing less than saving the planet for human habitation, ended this weekend with a low-key accord that was rejected by poor nations, described as 'disappointing' by EU leaders and condemned by NGOs as a 'shameful, monumental failure'. At a packed meeting organized on the fringes of the climate change summit, the Bolivian president Evo Morales raised loud applause when he called on the USA to put up or shut up: 'The budget of the United States is \$687 billion for defence. And for climate change, to save life, to save humanity, they only put up \$10 billion. This is shameful.'

After two years of preparations and ever grimmer scientific assessments of the state the planet is in, from its melting ice-caps to acidifying oceans, it all came down to a deal agreed to by about 25 heads of state and put together outside the UN process by a clutch of

countries led by China, South Africa, India, Brazil and the US.

The five-page-long text, which only 'recognises' the need to limit global temperatures to rising no more than 2 degrees Celsius above pre-industrial levels, but does not require that this happen, was itself only 'recognised' by the 193 countries attending the Copenhagen summit and not approved by them.

Developing countries were more scathing. Lumumba Di-Aping, the chief negotiator of the G77 group of nations called the end product of the two-week conference 'the lowest level of ambition you can imagine. It's nothing short of climate change scepticism in action. It locks countries into a cycle of poverty for ever'. Mr Di-Aping called the pact 'a solution based on values'; the rich north had 'asked Africa to sign a suicide pact, an incineration pact, in order to maintain the economic dominance of a few countries'.

Bolivia's UN ambassador, Pablo Solon, was furious that the accord had been drafted without the participation of most of the world's countries: 'This is completely unacceptable. How can it be that 25 to 30 nations cook up an agreement that excludes the majority of the 190 nations?' he asked.

As the dust was settling on the conference, some worried that the north would only offer climate cash to those countries that signed onto the accord. UK environment minister Ed Miliband told developing countries to sign on to the deal 'so the money can start flowing'.

'The US appears to be more interested in saving face than saving the planet', said Friends of the Earth executive director Andy Atkins. 'They are now using strong-arm tactics to bully the developing world into backing a plan that completely undermines the existing UN process.'

Greece defies the EU and rejects wage deflation.

While premier George Papandreou offered assurances to the EU that Greece would not default on its €298 billion debt, his words to reporters have a different flavour: 'Salaried workers will not pay for this situation: we will not proceed with wage freezes or cuts. We did not come to power to tear down the social state', he said.



Greece is being told to adopt an IMF-style austerity package, without the devaluation so central to IMF plans.

The prescription is ruinous and patently self-defeating. Public debt is already 113% of GDP. The Commission says it will reach 125% by late 2010. It may top 140% by 2012.

If Greece were to impose the draconian pay cuts under way here in Ireland it would deepen depression and cause tax revenues to collapse further as it is sure to do here. Mr Papandreou faces circumstances more akin to those of Argentine leaders in 2001, when they tried to cut wages in the mistaken belief that ditching the dollar-peg would prove calamitous.



Buenos Aires erupted in riots. The police lost control, killing 27 people. President De la Rúa was rescued from the Casa Rosada

by an air force helicopter and the dollar peg collapsed, setting in train the biggest sovereign default in history.

Economists waited for the sky to fall. It refused to do so. Argentina achieved Chinese growth for half a decade: 8.8% in 2003, 9% in 2004, 9.2% in 2005, 8.5% in 2006, and 8.7% in 2007. Bankers were soon lining up to lend money to

the Argentine state – despite the 70% haircut suffered by earlier creditors.

Greece could do the same – as indeed could Ireland: restore its currency, devalue, pass a law switching internal euro debt into drachmas, and ‘restructure’ foreign contracts. Athens holds the whip hand over Brussels, not the other way round. Greek exit from the euro would be dangerous. Quite apart from the instant contagion effects across Club Med and Eastern Europe, it would puncture the aura of manifest destiny that has driven EU integration for half a century.

No doubt, EU institutions will put together a rescue. While the ECB may not bail out states, though it may ‘surrender’ them to the IMF, it may buy Greek bonds in the open market. EU states may club together to keep Greece afloat with loans for a while. That solves nothing. It increases Greece’s debt, drawing out the agony. What Greece needs – unless it leaves the euro – is a permanent subsidy from the north just like Ireland needs a subsidy to compensate for its asymmetric markets being dominated by non-euro economies.

And now, something to ponder by the fireside: almost 250,000 US soldiers used Shannon so far this year!

In response to a Dáil question from Caoimhghin Ó Caoláin (9 December 2009) Noel Dempsey, minister for transport, said 243,000 US soldiers had used Shannon Airport so far this year.

An Post days numbered?

Le Monde reports that the French postal service, La Poste, will be privatised into a public limited company on 1 March 2010, to conform with EU law aiming to privatise the postal service market across the EU by 2011. Ireland presently has a one-year derogation, so 2012 may see a new postal service at your door.

[Le Monde](#)

New EU justice commissioner to review Data Protection Directive and consider the introduction of an EU ‘Civil Code’

Viviane Reding, the EU’s incoming commissioner for Justice and Fundamental rights, is planning several reforms under her portfolio, including the introduction of a European Civil Code and a revamp of EU data protection rules.

The notion of a ‘European Civil Code’ has already been partially addressed by current Commissioner Meglena Kuneva, who proposed the Consumer Rights Directive currently before the European Parliament, establishing the basis for EU consumer contract legislation. The article notes that national civil codes include things such as property rights, contracts, tort and general obligations at the core of civic life. An ‘EU source’ is also quoted saying that Reding’s first move will be to ‘review the Data Protection Directive of 1995’.

[EurActiv](#)

ECB board at odds over monetary policy

The ‘influential’ Cypriot ECB governor Athanasios Orphanides has said that the ECB should maintain its ‘ultra-loose monetary policy’ as long as is necessary, in order to ‘head off’ risks to the eurozone caused by exceptionally low inflation. *FTDeutschland* notes that this puts him in opposition to his colleagues who want to end loose monetary policies as soon as possible, such as Bundesbank chief Axel Weber.

Meanwhile, the *Telegraph*, argues that ‘the super-strong euro is having sharply varying effects on the different countries in the eurozone and causing the rift between north and south to widen further’. **[FT](#)**

New Year court battle looming over EU wages – sauce for the goose!

European Commission president José Manuel Barroso will after the Christmas holidays propose that the executive takes member states to court over a decision to slash a pay rise for EU officials. Member states on Wednesday (23 December) unanimously agreed to cut the planned 2010 wage increase from 3.70% to 1.85%.



The move follows a push by EU budget paymasters Germany, the UK and the Netherlands, as well as poorer countries, such as Poland, to reduce the hike amid negative public opinion caused by the recession.

Lawyers in the commission and the EU Council have said that the cutback is illegal, as it violates the terms of an earlier agreement on calculating EU officials' wages. 'The president [Mr Barroso] is going to inform the college of the state of play at the first college meeting in January', a Commission spokesman said. The full college of 27 EU commissioners will have to agree on whether or not to go to court. But Mr Barroso plans to recommend a legal challenge.

'The proposal which ensues will be to launch proceedings to strike down this decision in the Court of Justice', Mr Tardio said, referring to the EU's top tribunal in Luxembourg. EU officials are confident of winning any court action swiftly, pointing to a precedent in their favour in 1972.

The court proceedings are likely to be accompanied by strike action across the EU institutions, including the EU parliament, potentially disrupting scheduled hearings of EU Commission nominees in early January. Trade unions, such as the FFPE, have also threatened to obstruct other procedures, such as the creation of the EU's new diplomatic service, if the dispute does not go their way.

EUOBSERVER, 23 December 2009

