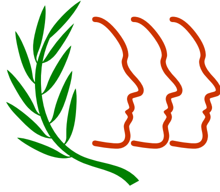
"It is the common fate of the indolent to see their rights become a prey to the active."
—John Philpot Curran (who defended leading United Irishmen)



PEOPLE'S NEWS

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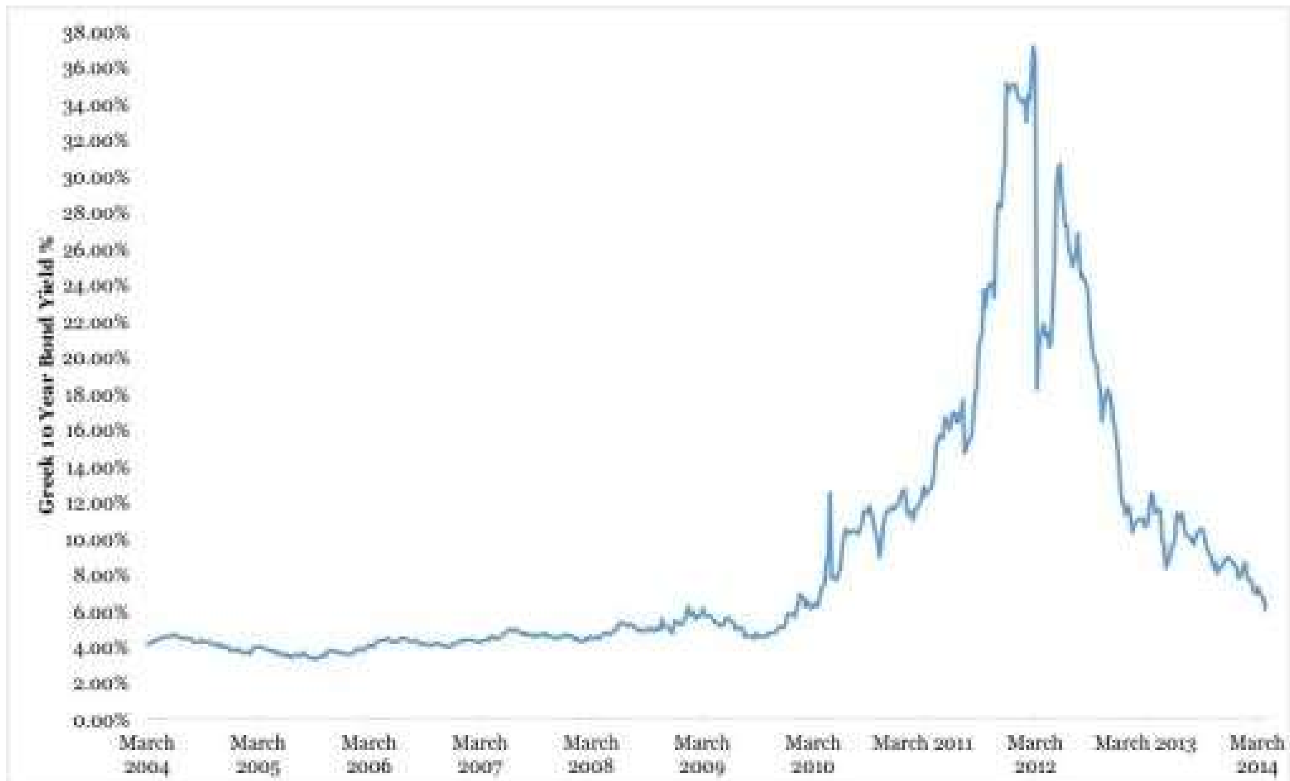
"Ireland is not Greece"



Speaking in Luxembourg on 4 October 2011, Michael Noonan insisted that "Ireland is not Greece." Now, in April 2014, the graph below by David McWilliams proves that Noonan was correct—to the detriment of us all.

The fact that the Greeks can raise money shows that the markets have absolutely no memory. Two years after the biggest sovereign default in history they are back at it—though it should be noted that their balance sheet is immeasurably better after the default than before.

Greece's debt is still almost 180 per cent of GDP. But the bulk of the debt is owed to other euro-zone governments, as a result of its two "bail-outs." Not only do these loans pay a low interest rate of a little over 2 per cent, but Greece doesn't need to begin repaying them until 2022, and then it has another twenty years to complete the job.

Greece shows just how quickly things can turn about. Note also that its ten-year bond yield, which hit 30 per cent after the debt default two years ago, is now 6.2 per cent.

Two of the country's big four banks—Piraeus and Alpha—have raised €3 billion of equity between them in recent weeks, and Eurobank, another big lender, is planning to

follow with a €3 billion issue later this month.

So it was just more bragging from Noonan when we should have been planning to emulate the Greeks, if not surpass them, by repudiating the debt. Instead we have water charges, another austerity budget … and so on.

Doesn't it make your blood boil?

Could TTIP contain an internet censorship plan?

An internet censorship plan is at present being finalised, with Barack Obama holding secret meetings with political figures and lobbyists in Asia to lock the Trans-Pacific Partnership's internet censorship plan in place.

Leaked documents reveal that this secret plan would censor the use of the internet and strip away people's rights.[1] If completed, the plan would force internet service providers to act as "internet police," monitoring our use of the internet, censoring content, and removing whole web sites.[2] It would give media conglomerates centralised control over what we can watch and share on line, and give governments the ability to neutralise the internet for political rivals.

The Trans-Pacific Partnership is being called a legal "blueprint" for the rest of the world.[3] Once the TPP's internet censorship plans are complete, they will be used to globalise censorship—which brings us back to the Transatlantic Trade and Investment Partnership (TTIP) between the European Union and the United States, which is also being negotiated in secret and whose known components bear a striking similarity to the TPP. It would be a good bet that a similar provision is included in the TTIP, providing another reason why we should be determined in our opposition to it.

1. Wikileaks: "Secret trans-Pacific partnership agreement."

2. Electronic Frontier Foundation: "TPP creates legal incentives for ISPs to police the internet."

3. Inter Press Service News Agency: "US 'bullying' TPP negotiators amid failure to agree."

European Movement officially promotes EU in schools

The "Blue Star" programme is part of the Government's "Communicating Europe" initiative, whose aim is "to foster better understanding and knowledge among primary school children of the European Union and how the EU affects our lives."

The invitation to tender for the post of national co-ordinator was published on the Public Procurement web site in October 2011. The European Movement (Ireland) was awarded the contract, and the scheme was subsequently renewed for a further two years. The total cost was €140,000, paid by the Department of the Taoiseach.

The scheme has grown significantly over the period of the contract, from 30 schools in twelve counties in the pilot year to 106 schools in twenty-four counties registered for this year's programme.

Reports on the first two years are available on the web site of the Department of the Taoiseach.

Ming calls for abandoning the euro

The recent call by Ming Flanagan TD, who is an independent candidate in the forthcoming EU Parliament elections, prompted us to look for a succinct commentary on the probable mechanics of abandoning the euro.

Two years ago, a team headed by Roger Bootle won the prestigious Wolfson Prize for Economics with a paper that outlines the smoothest process by which a member-state could give up the euro. We publish a summary below.

■ The most realistic scenario for the break-up of the euro is that one or more of the weaker peripheral countries will leave the euro zone, introduce a new currency, which then falls sharply, and default on a large part of their government debt. Other forms of break-up are possible, but the analysis of these will involve the same issues, although, in the case of strong countries leaving, often with the signs reversed. Accordingly, our analysis centres on the departure of a single weak member, and we then note any instance where the issues and conclusions need to be modified for other forms of break-up.

■ It will not be possible to be open about preparations to leave for more than a very short period without precipitating a damaging outflow of money, which could cause a banking collapse. Accordingly, preparations must be made in secret by a small group of officials and then acted on more or less straight away.

■ Given the short time from announcement to implementation, it will not be possible to have new notes and coins available immediately. This is unfortunate, but it is not as serious as is often imagined. The authorities should allow euro notes and coins to continue to be used for small transactions; but immediately after the decision to abandon the euro has been announced they should commission new notes and coins to be produced as soon as possible.

■ To facilitate the convenient use of euro notes and coins, to help to maintain price transparency, and to boost confidence in the new system, we recommend that the new currency be introduced at parity with the euro. Accordingly, where a price used to be 1.35 euros it would now be (for example) 1.35 drachmas. The drachma would be free to fall on the foreign-exchange markets, and indeed it is vital that it should do so.

■ We reckon that when any or all of the weaker members of the euro zone left, their currencies would depreciate by something like 30 to 50 per cent. This would add another 10 per cent to consumer prices, or even more, which, spread over two years, would cause the annual rate of inflation to rise by roughly half this figure. But international experience suggests that such a spike can be short-lived, and inflation can then return to something like its previous level.

■ Just before the changeover, some form of capital controls will be essential, including at least the closure of the banks. But after the changeover, capital controls should be avoided and, if used, should be withdrawn as soon as possible.

■ The government should redenominate its debt in the new national currency, and make clear its intention to renegotiate the terms of this debt. This is likely to involve a substantial default—perhaps enough to reduce the ratio of debt to GDP to 60 per cent. But the government should also make clear its intention to resume servicing its remaining debt as soon as practically possible.

■ To restore confidence further, we

recommend that the country should immediately announce a regime of inflation-targeting, monitored by a body of independent experts, adopt a set of tough fiscal rules and outlaw the indexing of wages but announce the issue of index-linked government bonds. The government should also continue with structural reforms designed to increase the flexibility of product and labour markets.

■ The central bank of the country should stand ready to inject liquidity into its own banking system, if necessary by quantitative easing. The monetary authorities should also announce their willingness to recapitalise the banks if necessary.

■ The authorities should provide as much clarity as possible on the legal issues, including the status of the country's membership of the European Union and the effect on international contracts at present denominated in euros. Approval by the EU would also be needed for any capital controls, but this would have to be sought retrospectively. All this would require close co-operation with other EU member-states and institutions, including countries in the northern core.

■ Domestic economic policy may also have to adapt. Indeed policy-makers in the northern core should have more freedom once they are no longer constrained by the need to set an example for weaker countries that have left. As the value of the euro would rise, the northern core would at first suffer from a loss of domestic demand, though it would enjoy a lower rate of inflation. This combination would give it the incentive to undertake measures to boost domestic demand, especially through monetary policy and structural reforms.

■ A rebalancing of the economy away from reliance on net exports would be in the interests of the whole of the present membership of the euro zone, as well as countries outside it.

Of course, giving up the euro without breaking from the dominance of neo-liberalism would

result in further significant hardship for ordinary people, as the price of imported goods, especially food, would increase. Austerity would not just go away either; so repudiating the debt would be necessary in order to force the highest possible write-down. This would allow social measures and strategic economic investment to be given priority, rather than paying the bondholders, and for the people of this country to be put first.

Euro-zone peripheral countries lick their wounds

The peripheral countries of the euro zone will have to pay more than €130 billion this year just to meet the interest payments on mounting debts, a burden almost three times as high as the rest of the euro area.

The figures—calculated by the *Financial Times* from data published by the International Monetary Fund—underline the deep wounds left by the euro-zone crisis, in spite of the high demand for peripheral euro-zone debt in recent months.

Although falling bond yields have eased borrowing costs markedly during the past two years, weak economic recoveries and still-extensive budget deficits mean that the interest bill is still climbing. But, even if their debt ratios stabilise, and even start to tick down, they will remain extremely high for a long time, which means they're very vulnerable to any further shocks.

The figures show that the debt-servicing burden of the euro-zone periphery accounts for almost a tenth of the revenue received by governments. In the other thirteen euro-zone countries the same burden averages only 3½ per cent, with the difference in the debt-servicing burden between the indebted periphery and the rest of the zone forecast to rise over the next five years.

In the 2013 budget the Government estimated that expenditure on interest reached €6.3 billion in 2012 and is expected to rise to just over €10 billion by 2015. These numbers are put into perspective when we consider that the total tax take in 2012 was €36.6 billion, with income tax accounting for €15.2 billion.

In other words, interest on the national debt in 2015 is expected to be equivalent to two-thirds of the total income tax take in 2012. This is an unacceptable and unsustainable burden, to which there can only be one answer.

Incidentally, the Irish health budget for 2013 is €13.6 billion.

Plan B: How abandoning the euro can save Ireland

In January the president of the European Central Bank, Mario Draghi, dismissed as "premature" the upbeat comments of the president of the EU Commission, José Manuel Barroso, who had earlier predicted that the euro zone would put the economic crisis behind it in 2014.

And then the former head of the German central bank, Axel Weber, told the World Economic Forum in Davos that the underlying disorder continues to fester and that the region is likely to face a fresh market attack this year. "Europe is under threat," he said. "I am still really concerned. Markets have improved, but the economic situation for most countries has not improved." Both men clearly reveal that the crisis is far from over.

Since 2008, Ireland (and the rest of the euro zone) has been caught in a debt crisis. You might have thought that, having made enormous sacrifices, we are now slowly but surely paying off those debts—but no such thing! Throughout the euro zone, aggregate levels of debt have *increased* markedly since 2008. The increase has been greatest in Ireland. And we also have the greatest aggregate debt levels.

Why are we making so little economic progress, despite enduring so much personal pain? In Cormac Lucey's view, the Government has simply got it badly wrong—and he should have a fair idea, as he was an adviser to Michael McDowell. Their policy prescription, he maintains, is not working. The authorities do not see that it was Ireland's decision to adopt the euro that sowed the seeds of our financial crisis. Instead senior policy-makers—such as the governor of the Central Bank, Patrick Honohan—would have us believe that the crisis was "three-quarters home-grown."

The hard reality, Lucey believes, is that the euro zone should never have been formed with its original membership. The diversity in economic cycles and patterns of national behaviour, coupled with the lack of real integration between the euro zone's national economies, means that the it falls a long way short of the conditions necessary for a functioning common currency area.

It also means that an interest rate that is broadly appropriate for the euro zone as a whole can be acutely inappropriate for substantial regions within its borders.

Between 1997 and 2007 this meant that Ireland (and the rest of the euro zone's periphery) got interest rates that were far too low for its conditions. The result of under-priced credit was a credit boom, a property boom, an employment boom, a public-sector boom, and a cost boom.

Eventually the booms all turned to bust. It was not feckless Irish people looking for a party who were substantially to blame for Ireland's economic crisis but pie-in-the-sky Europeans of

questionable competence playing games with currency systems—the workings of which they didn't understand, and still don't understand today.

So, is repudiating the debt and abandoning the euro the answer to Ireland's economic woes? Instinctively, people don't want to do either of these things. The first would involve reneging on debts freely entered into; the second would involve reneging on the European Union's "big project."

Lucey suggests that there are three central reasons why we should seek to leave the euro zone:

Reason 1: The euro zone will nearly always give us interest rates inappropriate to our circumstances. Between 1997 and 2007 those rates were too low; since 2008 they have been too high. The result has been an economy that has swung from a decade of binge-eating to crash-dieting. To get appropriate interest rates for Ireland we must restore monetary independence, or align ourselves with an appropriate (rather than an inappropriate) currency, for example sterling.

Reason 2: By ceding control of monetary policy to Frankfurt, we forgo it in Ireland. That means that the monetary policy that has been successfully followed in the United States and in Britain, "quantitative easing"—or, at its simplest, printing money—is denied to Ireland. Although, like us, those countries have very large debt problems, they have suffered far less economic stress than Ireland as a result of applying quantitative easing. To follow the United States and Britain in this regard we must seize back our monetary independence from the sado-monetarists of Frankfurt.

Reason 3: By giving up the euro we can allow our currency to find a new (and lower) level that will be much more likely to stimulate economic growth and employment. Normally, if a country suffers a severe economic downturn its currency will drop and act somewhat like an economic airbag to absorb some of the recession's deflationary effects. The results of such a currency drop are to make the country's exports and tourism more competitive. But since 2007 our currency, the euro, has risen—not fallen—by 25 per cent against sterling.

Lucey has done the sums on current exchange rates and finds that an old Irish pound is now worth £1.05 sterling. This is an alarmingly high exchange rate for an economy that remains so weak. The alternative to correcting these cost and exchange rate imbalances by giving up the euro (external devaluation) is to correct the imbalances by more of the same—in other words, the internal devaluation of cost cuts, wage cuts, and more economic sacrifice by ordinary citizens.

The implications of the present government policy were spelt out recently in Dublin by Dr Pippa Malmgren, economic adviser to the former US president George Bush. She said: "But you have to accept twenty years of no growth. That's the only other option. It's what European policy-makers expect Ireland to do. The question is, Do the Irish people have the tolerance to take that much pain?"

Advocates of the present system will argue that we have no choice. But we have, and this is the overriding logic presented in the book. "Plan B"—giving up the euro, and a managed restructuring of debt—is Ireland's alternative. It has substantial costs but offers considerably better prospects than twenty more years of Plan A.

The political elite remain steadfast in their refusal to consider repudiation of the debt and abandoning the euro; but behind all the scaremongering and hysteria there's a viable alternative waiting to be heard.

Cormac Lucey adds his voice to a growing number of commentators—seemingly Fintan O'Toole is the latest—upon whom the folly of our adopting the euro in the first place has just dawned.

■ Cormac Lucey is director of the diploma in business finance at the Irish Management Institute. *Plan B: How Leaving the Euro Can Save Ireland* is published by Gill and Macmillan, Dublin, at €15.

How to get rid of the debt?

A recent policy paper from the prestigious economic think-tank Research on Money and Finance explores euro-zone debt, particularly public debt, and briefly outlines four possible strategies for dealing with it.

Firstly, there could be rapid economic growth that would lighten the ratio of debt to GDP in a short space of time. But, as the paper correctly identifies, the problem with this option is that it puts the cart before the horse. Debt has emerged as a drag on growth in recent years. In the euro zone in particular, dealing with public debt has been the main cause of austerity policies, accompanied by further liberalisation. These measures have reached extreme dimensions in the periphery, especially Greece. On this basis there can be no realistic expectation of a substantial rise in the pace of growth in the euro zone.

Secondly, there could be sustained inflation, reducing the value of debt over a period of several years. Again, there are problems with this option. The first is that the major holders of public bonds will resist it strongly, and probably successfully, given their influence over policy. Indeed the lenders are actually backing the austerity policies now being applied in the euro zone, which are contributing to the opposite effect, as inflation is declining.

The second problem is that, if inflation was successfully ignited, the side effects on the distribution of income and on output would be far from clear, and they would not be negligible. Sustained inflation over a period of years poses significant risks, not least in bringing it back under control.

Thirdly, a large part of the public debt of the euro zone could be taken over by the European Central Bank. But this study shows that a negligible proportion of euro-zone debt is held by the bank, a feature of the ECB that is unique among the leading central banks.

There has been no shortage of proposals to enable the ECB to acquire large volumes of public debt. The fundamental problem with such suggestions, however, is that the EU's economic and monetary union lacks an overarching state, and therefore the ECB is not a normal central bank.

Any policy of acquiring euro-zone public debt on a large scale would necessarily mean that some countries would take upon themselves the risk of losses from the debt of other countries. There is no evidence that the countries of the core are prepared to accept this risk, not least because it requires an explicit principle of solidarity in the running of the euro zone. But, as Research on Money and Finance correctly states, "in practice, the monetary union is run as a hierarchical alliance of nation states, a feature strengthened by the crisis as Germany has been catapulted into a leadership position."

Fourthly, there could be cancellation of the debt. This option would be most appealing to peripheral countries, for which public debt is at its most pressing and which, the study shows, with the exception of Italy, carry modest parts of aggregate euro-zone debt. However, given

the paucity of other options, cancellation should also be considered for other countries.

The report's authors conclude:

"It is apparent that cancellation would have major implications for the holders, which are typically financial institutions in the Eurozone and other lenders across the world. A coherent policy of cancellation, therefore, must also make provision for other policy measures, including public intervention in the financial sphere and capital controls. Indeed, if cancellation of debt was to become general, it would mean nothing less than a wholesale transformation of the economy of the Eurozone with dramatic implications for the international role of the euro. Cancellation is clearly the most radical option currently available and it ought to be considered with the seriousness it deserves by those who wish to argue for alternative policies in Europe."

Unfortunately, the authors do not explain how this option could be achieved within the EU and the euro zone. So, unfortunately, in the end an excellent study is marred by a "Social Europe" utopianism.

Transferring skilled workers to be made easier

It will be easier for transnational corporations to transfer highly skilled employees, such as managers and researchers, to their EU operations under new migration rules.

The proposal would harmonise member-states' divergent rules on intra-corporate transfers from outside the EU while giving non-EU workers the freedom to work on projects within the EU—provided that their employer does not undercut local conditions governing work and pay.

The EU commissioner for home affairs, Cecilia Malmström, proposed the changes in 2010, but progress was delayed because governments within the EU were more concerned about reducing rather than easing migration. Bitter disagreements over a separate proposal on posting workers within the EU fuelled arguments over intra-corporate transfers. "Europe needs to attract more highly skilled workers from outside the EU to match the needs of the EU," Malmström said.

Rasmussen calls for increased NATO-EU co-operation

EU military officials have said the Ukrainian crisis is a "wake-up call" for EU countries' military spending. Following a meeting of member-state defence ministers in Luxembourg, the deputy head of the EU's external action service, Maciej Popowski, said: "We see that power politics is back with a vengeance, so it's a wake-up call, and now we need to get serious about defence."

He stated that "this was the feeling around the table," adding that the head of the external action service, Catherine Ashton, told the ministers: "If Ukraine is not a trigger to get serious about spending, about pooling and sharing, about smart defence, then what more do we need to get real?"

The secretary-general of NATO, Anders Fogh Rasmussen, told the press: "We need to train and exercise more together, for instance the NATO Response Force and the EU battle groups, so that we stand ready for whatever the future may bring."

The EU discussion comes after member-states pledged last December to co-operate more strongly in the military sphere.

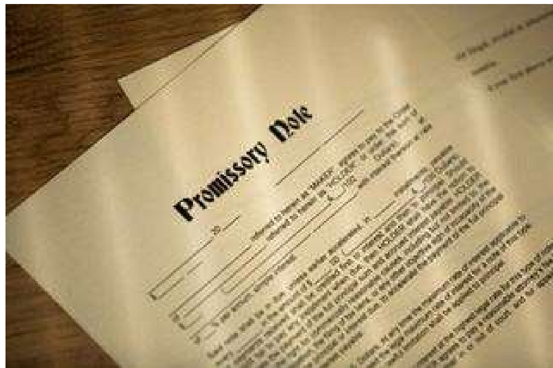
And what is Alan Shatter's view on all this? Did he even tell us about it?

More help from our partners in Europe?

Ireland is under pressure to shed the long-term government bonds it issued as part of last year's promissory note deal, and at a faster pace than the timetable originally outlined.

The mandarins in the European Central Bank are becoming increasingly concerned

about the arrangement. The bank is reviewing the controversial deal, and it seems there is significant concern among some members of the ECB's governing council about the legality of the arrangement, under which the Central Bank of Ireland swapped the promissory notes used to recapitalise Anglo-Irish Bank with long-term government bonds.



The ECB is considering whether the conversion of €25 billion in promissory notes into sovereign debt equated to monetary financing, something that is forbidden by article 123 of the EU Treaty. A crucial aspect of the promissory-note deal, agreed last year after months of negotiations, was the length of time for which the Central Bank would hold the long-term bonds that replaced the promissory notes.

The Central Bank has committed itself to selling a minimum of €500 million of the bonds by the end of 2014, which it is expected to offload in small tranches, but is under pressure to sell a larger percentage, given the current strong appetite for Irish government debt. The average life of the long-term government bonds is thirty-four to thirty-five years, compared with seven or eight years for the promissory notes.

The reconfiguration of the promissory notes used to recapitalise Anglo-Irish Bank was announced in February 2013 after months of negotiations. The president of the ECB, Mario Draghi, said at the time that while it had taken note of the transaction it would be reviewing the arrangement as part of its monitoring of monetary financing in euro-zone countries.

The president of the German Federal Bank, Jens Weidmann, said that the bank "has to make sure that its actions are in conformity with its rules and statutes."

ECJ sets important legal precedent on Data Retention Directive

The European Court of Justice has struck down the EU's Data Retention Directive by declaring it "invalid." The ECJ had been asked by the Irish High Court and the Austrian Constitutional Court to rule on whether the directive complied with the EU's Charter of Fundamental Rights.

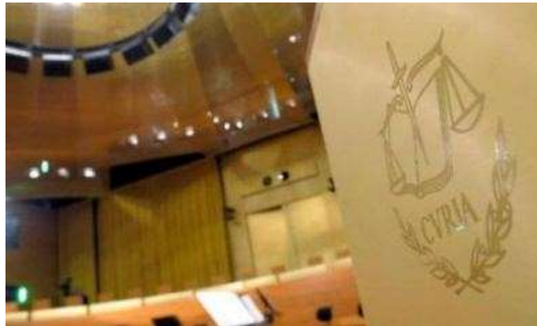
In one sentence the Data Retention Directive requests providers and operators of telecommunications services to store certain categories of information (such as date and length of phone calls and the senders and recipients of e-mail), but not the content of conversations, for a minimum of six months and a maximum of two years. It was introduced in 2006 to help national authorities fight serious crime and terrorism.

Interestingly, Britain has fixed the period for retaining data at twelve months. But other EU member-states were less zealous. Last year Sweden was given a fine of €3 million by the ECJ itself for failing to transpose the directive into national law in time. Germany has been taken to the court by the EU Commission for the same reason.

According to the ECJ ruling, *"by requiring the retention of those data and by allowing the competent national authorities to access those data, the Directive interferes in a particularly serious manner with the fundamental rights to respect for private life and to the protection of personal data."*

The statement goes on: *"The retention of data required by the directive is not such as to adversely affect the essence of the fundamental rights to respect for private life and to the protection of personal data … However, the Court is of the opinion that, by adopting the*

Data Retention Directive, the EU legislature has exceeded the limits imposed by compliance with the principle of proportionality."



One of the reasons cited by the ECJ is: *"The Directive covers, in a generalised manner, all individuals, all means of electronic communication and all traffic data without any differentiation, limitation or exception being made in the light of the objective of fighting against serious crime."*

The real problem for the ECJ, therefore, seems to be the violation of the proportionality principle. Or, put differently, the rationale behind the directive is correct, but its scope is disproportionate.

The case arose after Digital Rights Ireland launched a court action against the state in 2006 that questioned the legality of Irish data-retention legislation, which requires telephone companies and internet service providers to gather data about customers' whereabouts, phone calls, text messages, and e-mail, and to store that information for up to two years.

Following the ECJ's judgement, Digital Rights Ireland's case against the national legislation will now be allowed to proceed.

Only small improvements to Posted Workers Directive

Members of the EU Parliament have approved "improved" legislation on the posting of workers. However, trade unions voiced their discontent, explaining that the directive could actually weaken national controls by giving the EU Commission a right to "interfere" with certain measures.

"One example of the vote weakening enforcement is in the area of subcontracting," the European Trade Union Confederation said in a statement after the vote. "Eight member states have national laws making all companies in the subcontracting chain potentially liable for breaches of contract such as non-payment of wages.

"The Enforcement Directive agreed by the Parliament allows such laws only as long as they are 'proportionate'—which gives the European Commission a green light to screen such legislation in the light of allegedly more important internal market objectives," the ETUC said, calling for an "urgent" strengthening of the directive.

The text does, however, introduce a number of improvements. The new legislation, which will have to be translated into national law by 2016 in all member-states, is an "enforcement" of the original 1996 directive and reviews a number of shortcomings it contained.

The new text gives a clear definition of what "genuine posting" is and identifies "bogus self-employment," a status used by some employers to avoid paying social contributions. It also allows for more control measures and administrative requirements by the national authorities and reinforces co-operation between member-states by setting deadlines for the transmission of documents.

Finally, the text makes information for the worker more transparent and more easily accessible by creating a single web site, translated into various languages and easy to understand.

The secretary-general of the European Trade Union Confederation, Bernadette Ségol, expressed her disappointment by saying: "Mr Barroso has failed to do what he promised, which is to resolve the shortcomings in interpretation and implementation of the Posted Workers Directive. It is deeply frustrating and disappointing. A strengthening of the Directive itself is now more urgent than ever."

According to an EU directive of 1996, posted workers have to comply with the labour law of the host country. However, employers pay social contributions in the country of origin, which can create a gap in labour costs and boost benefits for companies.

Poland is the country that sends the greatest number of posted workers abroad.

Barroso's man attacks EU austerity

A former adviser to the president of the EU Commission has accused the Commission of embracing Germany's austerity-focused response to the euro-zone debt crisis in a "strategic" bid to enhance its own powers.

Philippe Legrain, an economist who directed the Commission's internal think-tank for three years until quitting last month, argues that the Commission put aside a more balanced policy response, called for by some other member-states, in part because it saw a more influential role for itself if Germany's emphasis on budget discipline prevailed.

As a consequence of siding with Germany, he said, the Commission was contributing to a split of the EU into opposing camps. "The EU is now riven between creditors and debtors," according to Legrain, "and the EU institutions have become an instrument for creditors to impose their will on debtors."

He pointed to reforms that have given the Commission a greater say over national budgetary and economic policies, known as the European semester, the six-pack, and the two-pack. The EU's crisis policy, which pushed for fiscal consolidation in all member-states and deep structural reforms in the most crisis-hit countries, has been controversial, with critics arguing that it excessively restrained demand in many European countries.

Even the International Monetary Fund, which agreed to rescue loans for euro-zone countries as part of the so-called "troika," together with the Commission and the European Central Bank, has warned Europe against exaggerating the pace of fiscal consolidation.

The Commission has more recently relaxed its insistence on austerity and last year gave countries such as France and Spain more time to meet EU-mandated deficit targets.

Legrain claimed that "we've gone from an acute crisis to a chronic crisis." And who could disagree with that—despite the soothing noises from RTE in the approach to the elections?

The "Father of Europe"

Jean Monnet (1888–1979), the so-called "Father of Europe," did not have a good war. In 1939 the French government sent him to London as the head of an Anglo-French commission charged with co-ordinating the wartime economies of the two countries. When Germany overran France in 1940, General de Gaulle rejected the armistice signed by Marshal Pétain's government and formed the Free French movement in London.

De Gaulle recalled in his memoirs that

Monnet opposed his efforts. *"Vous avez tort! m'écrivait M. Jean Monnet, de constituer une organisation qui pourrait apparaître en France comme créé sous la protection de l'Angleterre …"* ("You are wrong!" wrote M. Jean Monnet to me, "to establish an organisation that could appear in France as having been set up under the protection of England.")

Monnet soon departed for the neutral United States, and de Gaulle's view of his conduct was recalled by the latter's son, Philippe, in his own memoirs. *"Il n'imaginait pas que l'effondrement et la lâcheté seraient tels chez l'élite. C'était la fuite des rats au moment du naufrage. Jean Monnet est à Londres, il ne reste pas."* (He didn't imagine that there would be such a collapse and cowardice among the elite. It was the flight of the rats at the moment of shipwreck. Jean Monnet is in London, he doesn't stay.)

Having arrived in America, Monnet became an economic adviser to the Roosevelt government. In the aftermath of the US attack in North Africa he was despatched to provide technical assistance to America's protégé, General Henri Giraud, who was then being promoted as a more compliant French leader than de Gaulle. Monnet sent the following assessment of de Gaulle to Harry Hopkins, a close adviser of Roosevelt, in May 1943: *"Il faut se résoudre à conclure que l'entente est impossible avec lui; qu'il est un ennemi du peuple français et de ses libertés; qu'il est un ennemi de la construction européenne, qu'en conséquence il doit être détruit dans l'intérêt des Français."* (One must conclude that agreement with him is impossible; that he is an enemy of the French people and their liberties; that he is an enemy of European construction, that consequently he must be destroyed in the interests of the French people.)

Before long, however, de Gaulle was able to marginalise his American-sponsored rival, and Monnet remained in Algiers, working now on behalf of the Gaullist provisional government. Philippe de Gaulle summarised his father's view of Monnet as follows: *"Monnet n'a jamais été un ambitieux, disait-il encore de lui. Il n'a jamais essayé d'être élu en quoi que ce soit, de concourir à un poste parlementaire ou ministériel. En réalité, il ne croyait plus à la France telle quelle. Il pensait qu'elle serait fondue dans une espèce d'ensemble international sous l'égide des États-Unis."* ("Monnet has never been an ambitious man," he still used to say about him. "He has never tried to be elected to anything at all, to compete for a parliamentary or a ministerial position. In reality, he no longer believed in France as such. He thought it would be fused into a sort of international amalgam under the auspices of the United States.")

British diplomat wins EU exit prize

A British diplomat whose day job involves promoting British business in Asia's emerging market economies has scooped a prize of €100,000 on the country's best economic prospects if it left the EU.

Iain Mansfield is director of trade and investment at the British embassy in the Philippines. His paper—*A Blueprint for Britain: Openness, not Isolation*—argues that leaving the bloc in favour of joining the European Free Trade Association could net the British economy an increase in GDP of £1.3 billion per year.

Alongside membership of EFTA, which at present includes the likes of Norway and Switzerland, the paper calls for the introduction of a Great Repeal Bill to review and discard burdensome EU regulations.

The most important economic priority for a post-EU Britain would be ensuring the maintenance of tariff-free trade between Britain and the EU in all areas apart from agriculture, says Mansfield. It also strongly makes the case for the importance of leaving the single market and taking an *à la carte* approach on which regulations to agree to.

The plan argues that Britain could pursue

free-trade agreements with China and the United States and develop new ties with emerging powers in Asia and Latin America. It also moots the creation of a formal “EU out-group” of countries outside the EU but with close trading arrangements, to give them more negotiating clout with the EU.

Mansfield’s paper suggests that in the worst case there could be a drop of 2.6 per cent in economic output following a departure from the EU.

Critics point out, correctly, that membership of EFTA would still require Britain to adopt all the EU’s single-market legislation but without having any influence over their design. It would also have to make a substantial contribution to the EU’s annual budget.

German ruling party plots to limit powers of “anti-EU” court

Angela Merkel’s Christian Demo-cratic Union is pondering how to limit the powers of the “latent anti-EU” Constitutional Court, whose latest verdict will allow smaller parties to have representatives in the EU Parliament.

The minister of the interior, Thomas de Maiziere, has held consultations with constitutional law professors on the role of the Constitutional Court, but he refused to give any further details. The newspaper *Frankfurter Allgemeine* reported that the meeting dealt with the “growing resentment” between the court and the government, particularly after the last verdict, which scrapped the 3 per cent threshold for the EU elections.

There was also debate on how to limit the powers of the court in EU affairs, for instance by rewriting the constitutional article regarding the EU.

Last month the court ruled that a 3 per cent threshold for the coming EU Parliament elections was unconstitutional, and discriminatory against smaller parties.

A parallel meeting among leading figures of the CDU-CSU parliamentary group in the Bundestag also dealt with the Constitutional Court. It considered changing the rules of how judges are appointed to the court, *Spiegel* reported, and potentially shortening their twelve-year mandates.

The deputy leader of the CDU, Armin Laschet, tweeted that the judges of the Constitutional Court are displaying a “latent anti-European style,” and that it is pure “hubris” to rule after thirty-five years that the EU election law is unconstitutional.