PEOPLE'S NEWS

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Never let a crisis—no matter how terrible—go to waste

The European Union has agreed on a plan, resisted by Hungary and several other eastern European member-states, to share out 160,000 refugees among its members—a small proportion of the 700,000 refugees that the International Organisation for Migration estimates will reach Europe's borders from the Middle East, Africa and Asia this year.

The EU is also courting Turkey with the promise of money, visa-free travel and new accession talks if it tries to stem the flow of refugees through its territory.

Meanwhile the interpretative communication on the Stability and Growth Pact adopted by the College of Commissioners on 13 January eased the fiscal discipline required of the member-states in both the preventive and the corrective arms of the pact, on condition that they implement structural reforms and boost investment, or their economic environment deteriorates significantly.

The new interpretation was presented as "real progress" in the review of the EU's existing fiscal rules, in particular in allowing a temporary deviation in the corrective arm on condition that "reforms are planned but are yet to be legally endorsed."

The review of the fiscal rules was a promise made to the EU Parliament's Socialist Group by the president of the EU Commission, Jean-Claude Juncker, in exchange for their support during his nomination.

The EU Council's legal service issued an opinion in early April in which it questioned this point in the Commission's communication. The opinion pointed out that, in order to consider structural reforms a "relevant factor" in easing the fiscal targets, they must be adopted by the national authorities "through provisions of binding force, whether legislative or not."

Therefore a simple announcement of forthcoming reforms, no matter how credible and detailed they are, is not enough. The Commission believes that reforms not yet implemented could be taken into account, provided that the member-state presents a reform plan "containing detailed and verifiable information, as well as credible time-lines for implementation and delivery."

The Commission has insisted since then that its communication is legally sound, and that it acts within its scope of interpretation.

The Economic and Financial Committee's code of conduct will aim at narrowing the differences of view between the Commission and the Council. But, regardless of the outcome of the Council's work, the Commission has said it will continue applying its own communication.

Member-states face billions of euros in expenses for assisting refugees arriving in Europe. While the Commission is ready to take this into account, the criteria remain unclear.

The Commission is "firmly committed" to

granting all the breathing-space allowed by the Stability and Growth Pact in addressing "unusual events outside the control of the member-states" with a major impct on their public finances, a spokesperson said.

The Commission will assess the requests submitted by member-states to use the flexibility clause case by case, "taking into account the level of resources earmarked for assisting refugees," the spokesperson added. However, it declined to clarify which actions would be included under assistance for refugees, such as integration policies, housing, school, health assistance, or border control. The Commission only ruled out the granting of this additional fiscal space for such measures as building border fences.

It also remains unclear whether a threshold will be established for triggering the flexibility clause, such as spending in relation to the GDP ratio.

Juncker told the EU Parliament's plenary session this week that "countries that do not make an extraordinary effort, or cannot prove it, will not have a more flexible interpretation of the pact."

He added that since the Commission arrived "at the end of our budget possibilities," member-states and the European Investment Bank should consider "additional ways of financing" to respond to the refugee crisis, which, for some EU leaders, is the most serious challenge in the bloc's history.

A group of euro-zone states, including Austria, Belgium, and Italy, have notified the Commission of their additional spending in their draft budgets for 2016. The Commission is now assessing the national budgets and how to apply the flexibility clause; the verdict will be published by the end of November.

But a group of member-states, led by Germany, is against easing the fiscal rules because of the crisis. A spokesperson for the German Ministry of Finance recently said that it would be "wrong to change or soften" the EU fiscal rules to respond to the influx of refugees.

Echoing the German government, the Bulgarian prime minister, Boyko Borisov, told reporters after last week's mini-summit that member-states should strictly comply with the deficit and debt rules in order to avoid turning the refugee crisis into a new financial crisis.

Meanwhile the euro zone's finance ministers expressed their disagreement during the last Euro Group meeting on how to factor in assistance to the refugees.

The Austrian minister of finance, Hans Jörg Schelling, said that some euro-zone countries are "really affected by the cost of the refugees, and I don't think it would be right if we said we were unable to reach a zero structural deficit because of the costs of the refugee crisis and then still get punished by the Commission."

However, other finance ministers, such as Johan Van Overtveldt of Belgium, preferred to be more cautious on the use of flexibility, as the rules cannot be twisted "whenever something happens in the world."

These diverging views on how to assess the bill reflect the political infighting that continues among the member-states on how far the flexibility clauses included in the Stability and Growth Pact should go. The Council is expected to produce its interpretation by December.

Germany is leading the push to water down the Commission's communication.

Internationalism—real and pretend

The euro radically precludes any possibility of progressive policies. If there was still any need for proof of this, the criminal treatment inflicted on Greece has shown that any initiative aimed at “transforming the euro”—the argument that “another euro is possible”—is a pipe dream that can only lead to political disillusionment and alienation.

“Despotism” is the only appropriate description for an enterprise that denies democratic sovereignty and removes economic policy from ordinary democratic deliberation, copperfastening this state of affairs with a series of treaties, each one welcomed by big business but denounced by trade union and labour interests.

One country, Germany, has imposed its monetary obsessions on all the others. All countries live with the obsessions of their national story—that is, indeed, their right, and in the short and even medium term there’s nothing to be done about that. But the problems begin when one country demands that other countries live according to its obsessions—manias that they do not share.

As against those who can only imagine German hegemony in terms of Panzers and steel helmets, the reality is that Germany has never pursued a deliberate plan for domination, and its behaviour has only ever been governed by its fear of having to alter principles that it holds dearer than anything on account of being a member of the euro zone with other countries.

But we should not fool ourselves: a collective anxiety, particularly one as intense as this, leads to violence no less than a positive bid to conquer hegemony. Perhaps we could even say that the opposite is true. After all, even hegemonic projects preserve a residual rationality that has become wholly foreign to the German monetary panics.

The blind brutality with which Germany decided to punish Greece is testament to this, but even more so is its lack of openness to any rational argument. The fact that the majority of economists—the IMF economists in the lead, and also the Nobel Prize winners—now no longer hesitate to declare the Euro Group’s efforts to be nothing short of madness, in giving another massive dose of what has already methodically destroyed the Greek economy, has had no effect.

We can no longer even say that this is simply to do with the “irrationality” of capital. Capital is not mad to the point of wanting a final strangulation that it could not even itself survive; and the capitalist forces of the United States, for example, are dumbfounded by Europe’s self-destruction.

Traders caught up in a falling market know that the main obstacle to a rational decision is psychological: the unwillingness to “take your losses” and stubbornness in wanting to make up lost ground. (In the language of finance “taking your losses” means accepting that your shares will not recover their lost value and agreeing to sell them at a loss, knowing that waiting any longer means allowing them to fall even further.)

Wanting to get rid of austerity without leaving the austerity euro is a logic that is difficult to understand. It would be irresponsible to present abandoning the euro as an immediate way to sunlit uplands. With years of austerity having methodically destroyed many euro-zone economies, any possible economic policy option is bound to begin with immense difficulties.

An irony is that while giving up the euro would undoubtedly have been branded a “failure” after five months (or even five weeks), neo-liberal policies are allowed to go on for five years, or even three decades, without there ever being any assessment of their record.

You could leave the euro in lots of ways, and in lots of directions—which are not at all of equivalent value.

Even if its supporters do not yet know it, the European project is dead. The fate of the European Union is now the same as any enterprise that has become toxic: it is merely awaiting its demise. Do we really have to keep waiting, to the point of complete ruin, before the Europeanist left wakes up to the reality that in throwing in its lot with the EU project it made an error of truly catastrophic proportions?

What the European left needs to do is to finally cast off the encumbrance of the euro and think in a concerted way about what they will help each other achieve, with some of them supporting the others whose political and social circumstances allow them to get on their way independently, and then these latter in return helping the others to accelerate their own progress.

This will be the concrete solidarity of an overall movement that is inevitably going to be badly synchronised but in which emulation effects will nonetheless provide real momentum, unlike the phantasms of grand co-ordinations that abstract internationalism has to offer.

And that is what an internationalism properly understood is: it is not just a confection of postures, ignorant of reality.

Deficit politics

One of the crucial battles that any progressive Irish government would have to fight is the battle against the EU dogma that clamps permanent austerity on most euro-zone governments.

Containing deficits is not new for the EU. The Stability and Growth Pact, which underpins the Economic and Monetary Union, requires member-states to keep their budget deficit below 3 per cent of GDP. And the governments of euro-zone countries can be fined if they do not respect the limit. But first they are given a programme to set them on course towards a balanced budget. The essential element in this "adjustment programme" is a reduction in the "structural deficit" to reach 0.5 per cent of GDP within several years.

The official definition of "structural deficit" wins no awards for clarity or precision. It is defined as "the actual budget balance net of the cyclical component and one-off and other temporary measures."

It is obvious that the definition refers to a conceptual measure that cannot be observed. Secondly, this structural deficit claims to omit "one-off and other temporary measures."

The structural deficit is supposed to reveal any medium-term mismatch between government expenditure and revenue. To get to that number, two things have to be subtracted from the actual total deficit. The first is the effect of the particular current circumstances, the ups and downs of the economy, the so-called "cyclical deficit." The second one is any temporary expenses inflicted on the government—the so-called "one-off measures." This calculation gives us the number that is supposed to show whether the government should pull itself together and cut expenditure and raise taxes. This should restrain the debt, and so a requirement to keep the structural deficit low is often called a "debt brake."

Government recapitalisations (bail-outs) of private banks would seem to have been obvious candidates for the category of "one-off measures." That this in fact is not the case was soon learnt by various governments as they found themselves facing demands for severe reductions in expenditure after they incurred severe deficits as a consequence of bailing out their commercial banks.

But the rub comes with the reference to excluding the "cyclical component" of the fiscal balance. A reasonable person would expect that adjusting for the cyclical component would require eliminating expenditure on the increased payment to recently unemployed workers. A downturn in the economic cycle means an absolute or relative fall in output, which leads to an increase in unemployment, which in turn leads to increased payments to the unemployed. But the Brussels orthodoxy would make no adjustment for expenditure linked to job losses, which perhaps reveals the Commission's view that the unemployed are feckless shirkers, not victims of cyclical fluctuations.

According to this view, cyclical adjustment involves calculations of what the fiscal balance would be at any moment if the particular economy were at maximum employment.

The details of calculating the "structural deficit" are too complicated to ever be comprehensible or transparent to the public. In fact there is no consensus internationally, or even within the EU, on the calculation method. But the method used is crucial. The figure—0.5 per cent—can determine the future of crucial social rights.

The flagrantly ideological nature of "structural deficits" result from three basic flaws:

(1) arbitrariness in defining what are one-off and temporary measures in the calculation;
(2) subjectivity in calculating the counterfactual maximum employment;
(3) the irrelevance of the calculation even if solutions were found for the other two flaws.

In relation to the second point, maximum employment does not mean no unemployment. For example, people register for unemployment benefits when they are between jobs (this is known as fictional unemployment), while others cannot find jobs because they lack the required skill (what is termed structural unemployment). After subtracting these two components, the difference between the observed level of employment and the maximum employment is, by definition, cyclical unemployment. An accurate and non-ideological measure of this employment is impossible.

Perhaps the most obvious problem is measuring the number of people available for work and willing to take jobs if work were available at prevailing wage levels. The EU statisticians avoid this problem by invoking the ideologically loaded "natural rate of unemployment," whose political bias is revealed by the word "natural" and by its other moniker, "non-accelerating inflation rate of unemployment."

For the EU Commission a member-state's economy has exceeded maximum employment if the inflation rate is not stable (and stable at below 2 per cent, the Maastricht criterion). Any price increases above 2 per cent tell the Commission that a member-country has reached maximum employment, no matter what the measured unemployment rate might be.

Reaching the elusive goal of "structural deficit" requires (1) accepting the dubious and inherently flawed measure of maximum employment, (2) converting that measure into maximum GDP, (3) estimating the public revenue that the tax structure would generate at the hypothetical GDP, and (4) estimating the public expenditure for that same GDP.

Public services under attack through TTIP and CETA

Public services in the EU are under threat from its Comprehensive Economic and Trade Agreement (CETA) with Canada, the ratification of which could begin in 2016, and the Transatlantic Trade and Investment Partnership (TTIP), now under negotiation with the United States.

In the worst case they could lock in public services to a commercialisation from which they will not recover—no matter how damaging to the public welfare the results may be.

A new report published by an international group of NGOs and trade unions, "Public Services Under Attack," sheds some light on the secretive collusion between big business and trade negotiators in the making of the EU's international trade deals.

The report shows the aggressive agenda of services corporations with regard to TTIP and CETA, pushing for opening of the market in such areas as health, cultural and postal services, and water, which would allow them to enter and dominate these markets. And it shows how those in charge of EU trade negotiations are rolling out the red carpet for service industries, with both the consolidated CETA agreement published in September 2014 and drafts of TTIP chapters and internal negotiation documents reflecting the wish-lists of corporate lobbyists.

Principal findings of the report

1. TTIP and CETA show the clear hallmarks of being influenced by the same corporate lobbying groups working in the area of services that have been built over the past decades during previous trade talks, such as the EU's most powerful corporate lobbying group, Business Europe, and the European Services Forum, an outfit that bands together business associations as well as such major companies as British Telecommunications and Deutsche Bank.

2. The relationship between industry and the EU Commission is bidirectional, with the Commission actively stimulating business lobbying on its trade negotiations. This has been characterised as "reverse lobbying," when "the public authority lobbies business to lobby itself." Pierre Defraigne, a former deputy director-general of the EU Directorate-General of Trade, speaks of a "systemic collusion between the Commission and business circles."

3. The business lobby has achieved a huge success with CETA due to become the first EU agreement with the "negative list" approach for services commitments. This means that all services are subject to liberalisation unless an explicit exception is made. It is a radical departure from the positive lists used so far in EU trade deals, which contain only those services that governments have agreed to liberalise, leaving other sectors unaffected. The negative-list approach dramatically expands the scope of a trade agreement as governments make commitments in areas they might not even be aware of, such as new services emerging in the future. The same could happen in TTIP, where the Commission is pressuring EU member-states to accept the same risky approach, meeting the demands of the business lobby.

4. Big business has successfully lobbied against the exemption of public services from CETA and TTIP, as both agreements apply to virtually all services. A very limited general exemption exists only for services "supplied in the exercise of governmental authority." But to qualify for this exemption a service has to be

carried out "neither on a commercial basis nor in competition with one or more economic operators." Yet nowadays, in virtually all traditional public services, private companies exist alongside public suppliers—often resulting in fierce competition between the two. This in effect limits the "governmental authority" exemption to a few core sovereign functions, such as the police, the judiciary and the services of a central bank. Similar problems apply to the so-called "public utilities" exemption, which only reserves member-states' right to subject certain services to public monopolies or to exclusive rights; it contains so many loopholes that it cannot award adequate protection for public services either.

5. Probably the biggest threat to public services comes from the far-reaching investment-protection provisions enshrined in CETA and also foreseen for TTIP. Under a system called investor-state dispute settlement (ISDS), thousands of American and Canadian corporations (as well as transnationals with their head office in Europe structuring their investments through subsidiaries on the other side of the Atlantic) could sue the EU and its member-states over regulatory changes in the services sector that diminish corporate profits, potentially leading to multi-billion pay-outs in compensation. Policies regulating public services—from capping the price for water to reversed privatisations—have already been the target of ISDS claims.

6. The different reservations and exemptions in CETA and TTIP are inadequate to effectively protect the public sector and democratic decision-making over how to organise it. This is particularly true as the exceptions generally do not apply to the most dangerous investment-protection standards and ISDS, making regulations in such sensitive public services as education, water, health, social welfare and pensions prone to all kinds of investor attacks.

7. The EU Commission follows the demands of industry to lock in present and future liberalisation and privatisation of public services, for instance by means of the dangerous "standstill" and "ratchet" mechanisms—even when past decisions have turned out as failures. This could threaten the growing trend of remunicipalisation of water services (in France, Germany, Italy, Spain, Sweden, and Hungary), energy grids (in Finland and Germany), and transport services (in Britain and France). A rolling back of some of the failed privatisations in Britain's National Health Service to strengthen non-profit health service providers might be seen as violations of CETA or TTIP, as might the nationalisation and re-regulation in the financial sector, such as those seen during the economic crisis.

8. Giving in to corporate demands for unfettered access to government procurement could restrict the ability of government to support local and non-profit providers and could foster the outsourcing of public-sector jobs to private firms, where employees are often forced to do the same work with worse pay and working conditions. In CETA, governments have already signed up several industries to mandatory transatlantic competitive tendering when they want to purchase supplies and services—an effective means for privatisation by gradually transferring public services to profit-making providers. American lobbying groups such as the Alliance for Healthcare Competitiveness and the US government want to drastically lower the thresholds for transatlantic tendering in TTIP.

9. Both CETA and TTIP threaten to liberalise the health service and social welfare, making it

difficult to adopt new regulations in these areas. Britain's TTIP services offer explicitly includes hospital services. In the CETA text and recent TTIP drafts no less than eleven EU member-states liberalise long-term care, such as residential care for the elderly (Belgium, Britain, Cyprus, Denmark, France, Germany, Greece, Ireland, Italy, Portugal, and Spain). This could stand in the way of measures for protecting long-term care services against the asset-stripping strategies of financial investors such as those that led to the Southern Cross collapse in Britain.

10. The EU's most recent draft text on TTIP services severely restricts the use of universal service obligations and curbs competition by public postal operators, mirroring the wishes of big courier companies, such as UPS and Federal Express. Universal service obligations, such as the obligation to deliver mail daily to remote areas without extra charges, aim at guaranteeing universal access to basic services at affordable prices.

11. TTIP and CETA threaten to limit the freedom of public utilities to produce and distribute energy according to public-interest goals, for example by supporting renewables to combat climate change. Very few EU member-states have explicitly reserved their right to adopt certain measures with regard to the production of electricity (only Belgium, Portugal, and Slovakia) and local energy distribution networks (among them Belgium, Bulgaria, Hungary and Slovakia).

12. The United States is eyeing the opening up of the education "market" through TTIP, including management training, language courses, and school admission tests. American education firms in the European market, such as Laureate Education, Apollo Group, and Kaplan Group, could benefit as much as the German media conglomerate Bertelsmann, which has recently bought a stake in the American on-line education provider Udacity. The EU Commission has asked member-states for their "potential flexibilities" on the American request relating to education services.

13. The American film industry wants TTIP to remove quotas on European content and other support schemes for the local film industry (for example in France, Italy, and Poland). Lobbying groups such as the Motion Picture Association of America and the US government have therefore opposed the exclusion of audiovisual services from the EU's TTIP mandate, fought for by the French government. They are now trying to limit the exception as much as possible, for example by excluding broadcasting from the concept of audiovisual services—seemingly with the support of EU industry groups such as Business Europe and the EU Commission.

14. Financial investors such as Black Rock engaged in European public services could use the provisions of TTIP and CETA on financial services and investment protection to defend their interests against "burdensome" regulations, for example those on improving working conditions in long-term care services. Lobbying groups such as TheCityUK, representing the financial services industry in Britain, are pushing heavily for a "comprehensive" TTIP, which "should cover all aspects of the transatlantic economy."

15. American services companies are also lobbying for TTIP to tackle such "trade barriers" as labour regulations. For example, the American company Home Instead, a leading provider of home care services for older people that operates franchises in several EU member-states, wants TTIP to address "inflexible labour laws" that oblige the firm to offer its part-time employees "extensive benefits including paid vacations," which it claims "unnecessarily inflate the costs of home care."

What is at stake in trade agreements such as TTIP and CETA is our right to vital services—and more: it is about our ability to steer services of all kinds towards the benefit of society at large. If left to their own course, trade negotiations will eventually make it impossible to implement decisions for the common good.

One measure to effectively protect public services from the great trade attack would be a full and unequivocal exclusion of all public services from any EU trade agreements and negotiations. But such an exclusion would certainly not be sufficient to undo the manifold other threats posed by CETA and TTIP, as many more provisions endanger democracy and the well-being of citizens.

As long as TTIP and CETA do not protect the ability to regulate in the public interest, they have to be rejected.

■ The full report, "Public Services Under Attack," is available at Corporate Europe Observatory.

Public meeting on CETA
Monday 9 November, 7:30 p.m.
Liberty Hall, Dublin

"Do not listen to those who say there is nothing you can do to the very real and large social and environmental issues of our time. A life of activism gives hope, which is a moral imperative in this work and in this world. You meet the nicest people, you help transform ideas and systems, and you commit yourself to leaving the earth in at least as whole a condition as you inherited it."—Maude Barlow, national chairperson of the Council of Canadians, addressing Trent University in June 2009 after being awarded an honorary doctorate of laws.

Patricia King, general secretary of the ICTU, joins Maude Barlow and other international speakers to publicise the threat that the EU-Canada "free" trade deal poses to our workers' rights, democracy, health and safety standards, environment, and public services. Other speakers will include Yash Tandon, a Ugandan trade expert, and Polly Jones, head of policy and campaigns at Global Justice Now (formerly the World Development Movement).

Maude Barlow is the author of sixteen books, including the international best-sellers *Blue Gold: The Fight to Stop the Corporate Threat of the World's Water* and *Blue Covenant: The Global Water Crisis and the Coming Battle for the Right to Water.* She was senior adviser on water to the president of the 63rd General Assembly of the United Nations and was a leader in the campaign to have water recog-nised by the United Nations as a human right.

This meeting is an opportunity for trade unionists and all those concerned with democracy to learn exactly how CETA will damage our society and how we can all work together to apply pressure on our represent-atives in the EU Parliament to vote No to CETA.

Monday 9 November, 7:30 p.m.
Liberty Hall, Dublin

Urgent need for a dose of political realism

A discussion about politics is always a discussion about power relations. If you want to solve a problem by political means you need the political power to do so.

Within democratic states, elections decide (at least in theory) who gains the authority to exercise power. Between states, the situation is much more complex.

If one government wants to force another in a direction it does not want to move in it must have the power to do so. To that end, credible threats need to be formulated, and sanctions need to be envisaged. From that vantage point the position of Greece vis-à-vis the Euro Group and Germany was easy to understand. In one word, Greece had no power. The other players had all the trump cards. No ifs or buts: we have the money, you need it, you give in.

When we discuss the relationship between Germany and the debtor-countries what must be understood above all is the dominant power position of the creditor. Germany has built up a tremendous position of power within Europe because of its (unjustly acquired) superior competitive position and its extremely high current account surpluses. It is, economically speaking, better off than any of the other EU member-states, because it managed to export much of its unemployment. It is also the largest creditor. So, inevitably, deficit countries turn to Germany when they are cut off from the capital market because their economies are considered to be uncompetitive (in comparison with Germany).

All this means that any negotiations will be characterised by extremely asymmetrical distributions of power. What can the debtor-countries do in such a situation? The only thing left for them—and this is what some of their defenders on the left say—is to hope for insight on Germany's part. They can hope to explain the macro-economic conundrum and hope that Germany will understand it. Perhaps Germany will show foresight, vision, and willingness to abandon its position.

But all of this is extremely naïve.

Why should the German government, under the leadership of the CDU, do such a thing? For the CDU, it is essential to take the position that directly supports the interests of German industry, regardless of how destructive those policies are from a macro-economic point of view. German industry will never agree to a policy that amounts to conceding a part of the market to other countries, although that is exactly what is needed to resolve the crisis.

Aside from this, anyone who counts on the Social Democratic Party to formulate rational macro-economic policies should read their policy documents. The stalemate is complete.

All these measures amount to the same thing, namely to block German exports or to make them prohibitively expensive. That is the only real leverage that debtor-countries can hope for. But inside the EMU this threat is hollow, because it is tantamount to a further reduction of their domestic wages, without which it will be impossible to regain competitiveness (which is in turn the only alternative to the measures mentioned above). How can you threaten with a measure that hurts yourself more than it hurts your counterpart?

The EU countries can achieve something tangible if and only if they manage to formulate a credible threat to the German economy. In the present circumstances, this can be done in one way only: they have to threaten to leave the euro zone, with a sharp depreciation of their own new currencies and even with massive protectionist measures.

Is there nothing that can be done by a small country? Obviously the threat of a Greek withdrawal does not worry German politicians. Economically speaking, Greece is unimportant: its economy is simply too small for its withdrawal to have a substantial negative effect on the German economy.

Greece could have threatened Germany by playing a pioneering role. It could have resisted austerity—indeed SYRIZA for its first term did try to fight austerity, hoping to create a domino effect.

Just imagine the reordering of power relations were France, Italy or Spain to change sides. These are sufficiently big economies. It would suffice that two or three of these countries drew a line in the sand on austerity policies and opposed Germany by threatening to leave the euro zone. The German neo-liberal, mercantilist nightmare would rapidly come to an end.

But this has not happened. Politicians lack the courage to stand up to Germany; they are afraid of the chaos that might result, or are ideologically wedded to the austerity agenda. But it cannot, of course, go on like this. The most likely scenario is that at some point the euro will cease to exist, because national democratic governments will sooner or later pull the plug by using the only option they have: withdrawal.

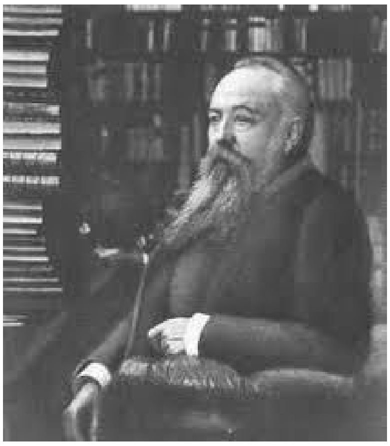
Those who oppose such a scenario and argue that the euro must not fail play directly into Germany's hands. Those who want to preserve the cohesion within the euro area at almost any cost but at the same time fail to provide a viable strategy for confronting Germany's mercantilism are naïve. History shows that a huge disequilibrium of power never lasts, and never goes unpunished.

Finally, those who propose a further expansion of EU policies in the hope of taming Germany this way should remember that this was exactly the hope of many when the European Monetary Union saw the light of day. It is nothing but self-deception.

The EU's assault on national democracy

A member-state on its own cannot decide a single EU law. Its people, parliament and government may be opposed to an EU law, its government representatives on the Council of Ministers may vote against it, but they must obey it nonetheless once it is adopted by qualified majority vote in the EU Council.

This devalues the vote of every individual citizen. Each policy area that is transferred from the national level to the supranational devalues it further. This reduces the political ability of citizens to decide what is the national common good. It deprives them of the most fundamental rights of membership of a democracy: the right to make their own laws, to elect their representatives to make them, and to change those representatives if they dislike the laws they make.



The nineteenth-century English historian Lord Acton foreshadowed the EU's subversion of national democracy when he wrote:

"If the distribution of power among the several parts of the State is the most efficient restraint on monarchy, the distribution of power among several States is the best check on democracy."

European integration is therefore not just a process of depriving Europe's nation-states and peoples of their national democracy and independence: within each member-state it represents a gradual coup by government executives against legislatures and by politicians against the citizens who elect them. It turns what were national politics into provincial politics. Citizens more and more sense this, and this in turn depoliticises them.

This "European project" has been pushed through for decades with ruthless contempt for democratic norms. For instance, the decision in 1999 to abolish national currencies—an essential pillar of all sovereign states—and replace them with the supranational euro was taken by a tiny number of politicians and technocrats. Only four countries—Denmark, France, Ireland, and Sweden—had a referendum on the matter. Denmark and Sweden voted No and opted out of it.

When it came to the EU Constitution the French and Dutch peoples rejected the original constitutional treaty in their referendums in 2005, but they were not allowed a referendum on its successor, the Lisbon Treaty, even though that is 99 per cent the same.

When the Irish people voted No to the Nice Treaty in 2001 and to the Lisbon Treaty in 2008 they were made to repeat their referendums on exactly the same treaties to obtain a different result.

During the euro crisis in 2012 the euro-zone elite pressured Greece and Italy to replace their democratically elected leaders with more eurozone-compliant technocrats.

When the Greek people voted No to a euro-zone bail-out in a referendum in 2015 the EU Central Bank and the Euro Group of Ministers cut off lending to Greek banks, which led to daily limits on ATM withdrawals and the imposition of capital controls to bring the Greek government to heel.

The EU has hollowed out Europe's nation-states. It leaves their traditional governmental institutions formally in place, with the accompanying salaries, pensions and other perks of office for those running them, but with most of their important functions transferred to the external supranational EU level. It turns the state itself into an enemy of its own people, while clamping a form of financial feudalism on Europe.

People's Movement · 25 Shanowen Crescent · Dublin 9 · www.people.ie
087 2308330 · post@people.ie