

PEOPLE'S NEWS

News Digest of the People's Movement

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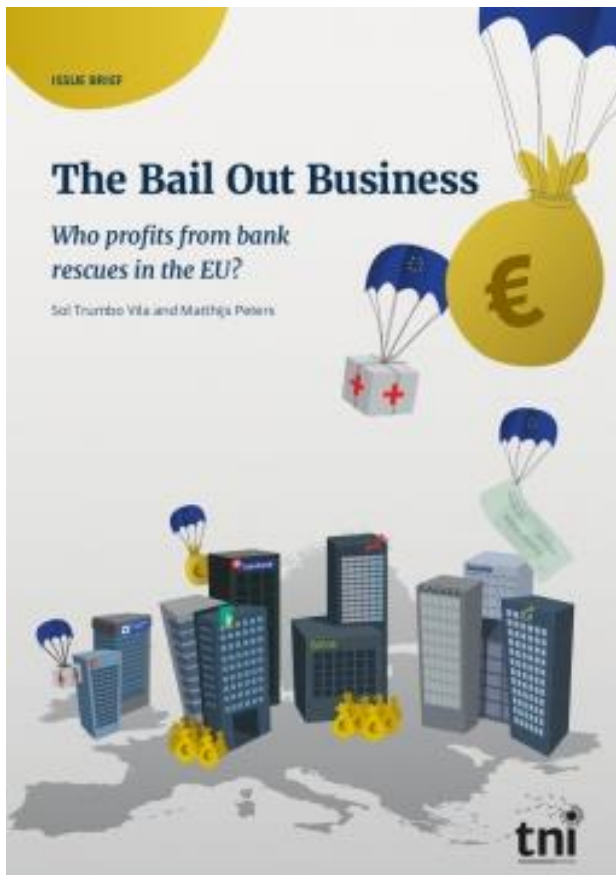
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More than €1½ trillion has been used to rescue ailing EU banks

Since 2008, more than €1½ trillion in taxpayers' money has been used to rescue ailing banks, according to the EU Commission.

Rescuing failed banks is often perceived as a political affair, but it is also a booming business. There are new cases every few months, such as Monte di Piaschi in Italy last December. Then we hear rumours about the collapse of giants such as the Deutsche Bank in Germany.



The public may have become accustomed to bank bail-outs, but they have little knowledge of the details of how rescue packages are designed and implemented, or

how contracts worth hundreds of millions have been given to financial consultants for advising member-states and EU institutions on how to rescue failed banks.

According to the EU statistics agency, Eurostat, €213 billion of taxpayers' money has been permanently lost as a result of the various bail-out packages. Statistics from the Commission's Directorate-General for Competition show that more than €1½ trillion was used in different forms of rescue package between 2008 and 2014.

Meanwhile citizens feel the consequences: less public money to sustain welfare provisions, such as health services. The losses so far in the EU bail-out schemes could have paid for a full year of the combined health services of Spain, Sweden, Austria, Greece, and Poland, while here in Ireland the health service is close to collapse, and other essential social services normally supplied by the state, such as the rural bus service, are close to "bankruptcy."

Germany, France and the Netherlands, core EU states, have important elections in 2017. Public debate in the three countries is being concentrated on migrants and refugees and the pressure they put on European welfare systems; but voters would instead do well to recall the magnitude and consequences of the EU's bail-out schemes.

The Bail-Out Business, published by the Transnational Institute, a think tank in Washington, is the most comprehensive and thorough analysis of who has benefited from EU rescue packages since the 2008 crisis. The report reveals the role of the Big Four audit firms (EY, Deloitte, KPMG, and PWC) and a small coterie of financial consultancy firms that

are in the business of designing and implementing bail-out schemes in EU member-states.

The Big Four, which operate as a *de facto* oligopoly, together with a small coterie of financial advisory firms, have designed the most important rescue packages. But even in cases where bail-out consultants gave poor or inaccurate advice on the allocation of state aid there have been few consequences, even when states' losses actually increased as a result. Bail-out consultants have often been rewarded with new contracts despite repeated failures.

One possible explanation is the well-known problem of revolving-door appointments in the EU, where former senior financial executives hold leading positions in EU institutions, and vice versa. Another is that governments and EU institutions lack real alternatives. The increasing complexity of finance in recent decades, the widespread belief that self-regulation was the best model and the gradual outsourcing of the formulation of financial legislation left governments unarmed when trouble arrived. The firms in the bail-out business remain almost uniquely positioned to provide authoritative opinions on these matters.

However, the centralisation of supervision and decision-making in the EU Central Bank has institutionalised the idea that failed banks should be rescued with taxpayers' money.

The European People's Party, of which Fine Gael is a member, proposed for the *Paper on the Future of the Union* that while solidarity among the member-states is necessary it should not be unconditional. "We want this support to be conditional on the implementation, by the member state in question, of remedial actions and reforms. The support granted by EU member states or institutions must have the status of senior creditor—and be secured against 'haircuts' since our intention is not to support bail-outs."

So if there's another banking crisis they

could be after a chunk of your credit union or post office account!



Remarkably, the ECB has relied on the firms in the bail-out business to execute its supervisory mandate, for instance with stress tests, leading to further market concentration and greater dependence on a small group of firms. With the exception of KPMG, all these firms are based in the United States or Britain, meaning that the ECB will be almost entirely dependent on the services of non-EU private companies to develop basic supervisory activities when Britain leaves.

The continuing pressure on public services throughout the EU will be part of pre-election debates in France, Germany and the Netherlands this year. Scrutinising the effect of immigration and casting about for scapegoats for the EU's troubles is both lazy and xenophobic. EU policy must be contested with evidence, and the finance industry should be compelled to work in the service of member-states' citizens, instead of the other way around.

As millions cast their votes this year, candidates and representatives should make clear their position on the dysfunctional finance industry, and what they intend to do about it.

- "The Bail-Out Business: Who Profits from Bank Rescues in the EU?"
- "Lessons from the fight against CETA."

Juncker talking to his friends

A new EU “white paper” on the future of the bloc has just been published. It sketches out five scenarios for the EU’s possible development. The paper is primarily seen as a contribution to preparations for an EU summit on 25 March, which will be the sixtieth anniversary of the signing of the Treaty of Rome. It should also help to guide decisions on the EU’s future, which are expected about the end of the year at the latest.



According to the president of the EU Commission, Jean-Claude Juncker, the five options “are neither mutually exclusive nor exhaustive.” They range from reducing the EU to nothing but the single market all the way to a massive expansion of the EU’s authority.

The reduction to “nothing but the single market” (“scenario 2”) would result in a very limited capacity by the EU to co-ordinate actions, according to the document, while a common foreign and military policy would hardly be possible.

The “carrying on” option (“scenario 1”) would continue the policies of the past few years, with only minor adjustments in the monetary union and an insignificant joint foreign and military policy.

“Scenario 5” provides the opposite image: intense “communitarisation” at every level. In this case the monetary union could be expanded, and Brussels would have significantly more authority to intervene in the policies of member-countries; but above all, a very powerful foreign policy would be possible,

and, if needed, the EU would be able to intervene with an EU army anywhere in the world.

Scenario 5 is considered hardly applicable because of the consistent—and recently even intensified—resistance by various member-countries to interference by Brussels. This is why the document proposes, as a compromise, two scenarios that would entail reinforced co-operation either with fewer member-countries or in fewer political fields.

“Scenario 3” stipulates that several “coalitions of the willing” could use the option provided by the Treaty of Lisbon that allows “permanent structured co-operation” in various fields, such as domestic surveillance and repression, or through closer collaboration in foreign and military policy. The arms industry would have a field day, as the EU could extend its power much further into the world than it has until now.

“Scenario 4” treats the possibility of the EU limiting its focus to fewer areas but pursuing them more intensely and energetically. It could largely withdraw from regional aid, public health and social policy and instead significantly expand its capacities for warding off refugees, for domestic repression and for foreign and military policies. With this scenario the EU would acquire a greater capacity for massively extending its political power.

In early February, Angela Merkel called for the transformation of the EU along the lines of “scenario 3.” Developments over the past few years have shown that “there will be a multi-speed EU, and not all members will participate in the same steps of integration,” Merkel declared.

Juncker has reiterated this stance. “This is no longer a time when we can imagine everyone doing the same thing together,” he said, promoting a “more structured” framework. “Should it not be that those who want to go forward more rapidly can do so without bothering the others?”



One of the reasons for this option is the continued resistance to the establishment of EU military structures, insisted upon by Germany. “We need a European headquarters for civilian and military operations,” a senior German political figure, Elmar Brok, declared. Brok headed the EU Parliament’s Foreign Affairs Committee for thirteen years and is still one of its members.

Several EU countries are reluctant to have a “Military Planning and Conduct Capabilities Unit” established in Brussels, which would be responsible for EU training missions and could eventually be upgraded to become an EU headquarters. The increased application of “coalitions of the willing” would help break such resistance.

EU Parliament approves CETA Now for the next stage!

The EU Parliament has approved the landmark Comprehensive Economic and Trade Agreement (CETA) between the EU and Canada, which has been seven years in the making. Its ratification will eliminate almost all trade barriers between the EU and Canada and will undermine the EU’s environmental, labour and consumer standards. Campaigners are warning that it will empower big business, putting corporations on an equal footing with sovereign governments.

Members of the EU Parliament overwhelmingly supported the agreement, with 408 in favour and 254 against. Sinn Féin and independent members voted against, while the

four Fine Gael members, despite extensive lobbying, voted in favour.

The Parliament’s Employment Committee had already ruled that CETA will worsen inequality and increase social tensions throughout the continent. Its secret negotiation process was used to bring tar-sands oil into Europe for the first time, and it sets a new precedent for locking in the privatisation of public services, such as the HSE.

CETA places a greater value on business interests than on a commitment to the rule of law. Its corporate court process will destroy equality before the law and will give big business new powers to sue the Government.

The role of the coalition Government on CETA has been nothing short of appalling. It bypassed parliamentary scrutiny to sign us up to CETA, and has presented, at best, questionable and unsubstantiated claims regarding CETA’s positive effects on Ireland and the EU, which have been challenged by independent research.

Provisional application of CETA comes into effect on 1 April, meaning that all its provisions, except the establishment of the corporate court, will take effect in Ireland—all 1,560 pages of it! And the Oireachtas hasn’t yet approved or even debated the agreement, though we would then be open to being sued by corporations under its provisions.

Two things are truly shocking about the Government’s eagerness to push through this agreement: the illusion of economic benefits that the Government continues to promote with glib one-liners, and its refusal to acknowledge the effect CETA will have on our democratic institutions and the ability to govern. This recklessness is best demonstrated by Richard Brutons’s signing of a letter to the negotiators in 2015 urging just such an imposition of the deal.

There is no mention of the long-term effect CETA may have on any privatisation of public assets. It was very clear throughout the

negotiations that transnational corporations, backed by the big investment banks, were eager to get a piece of our national wealth: water and waste-water systems, airports, electricity production and transmission systems, postal service, higher education, and so much more.

The corporations may well succeed in their takeover plans. The present and previous governments—true to the neo-liberal policies of the EU—have favoured public-private partnerships for the development of new projects, an incremental policy that would accelerate under CETA, as Canadian firms could tender for the most significant contracts, right down to the municipal level.

The investment chapter of CETA, with its recourse to investor-state legal proceedings, will ensure that, once privatisation takes place, there will be almost no ability to reclaim lost public assets.

Those who have studied CETA cannot find a single concrete way in which this trade agreement is going to benefit the real Irish economy—the economy of the million small and medium-sized businesses and the people they employ. And, under CETA, investment provisions—such as the commercial tribunal—will remain in place for twenty years, even if a future Government terminates its support for the agreement.

But the struggle against this deal must go on. It must still be voted on by the national parliaments of member-states, where it continues to face strong opposition.

There are fourteen member-states that could opt for a referendum—a referendum can reasonably be expected in the Netherlands—and the German constitutional court may decide that Germany will abandon the agreement. In addition, more than two thousand European cities, regions and organisations have declared themselves to be “CETA-free and TTIP-free zones.”

In countries such as Germany and Austria,

the public protest is enormous, and, given the huge pressure that is mounting in so many countries, there is a reasonable chance that at least one parliament will block ratification.

Despite some changes to the text of the agreement, the reasons that so many oppose it remain. The introduction of the highly contested investment court system only benefits foreign investors; and the new Joint Committee, in which corporate lobbyists get to decide which proposals are on the table, is a clear attack on our democracy.

It is intolerable that the EU Parliament completely refuses to listen to the citizens’ objections and is pushing ahead with an agreement that contains so many unresolved issues.

“The left is paying the price for its conservative discourse on the currency union.”

Costas Lapavitsas, professor of economics at the School of Oriental and African Studies, University of London, advocates Greece abandoning the euro as an instrument for overcoming the country’s crisis.

Critical of Alexis Tsipras, Yanis Varoufakis and SYRIZA (he was an MP for the party before the third deal with the Troika), Lapavitsas is conscious that his positions regarding the EU and the euro are still in the minority among European progressives. Nonetheless he believes that “the first step for the left is to say that the currency union has to end.”

■ *This interview was first published in El Diario (Madrid).*

A year ago you were in Madrid for the presentation of the Plan B for Europe. How do you think this initiative has developed?

The Madrid discussions were interesting, because a lot of people came and there was a good atmosphere. Nonetheless, they were politically confused, because various ideas were presented on what the left ought to do about

Europe, without any concreteness. People still think that it is possible to change the European Union. One year later I think that this position has lost supporters. More people have realised that if we want an alternative, a different path or different strategy, we have to take radical steps also with respect to the institutions and the EU.

And this [latest work] is your plan for Greece, in which you propose leaving the euro.

Leaving the euro is part of a strategy. But essentially we have to take measures to strengthen aggregate demand: public spending and investment. Initially, the public sector has to take the lead in order for the economy and the private sector, and especially services, to be able to begin to breathe again. After that, it would be necessary to take measures in terms of industrial policy.

And it is not possible to do that within the euro zone?

The EU's fundamental institution today is the currency union. And the currency union has failed. It is dysfunctional, and it has not brought reforms, prosperity, or solidarity, but quite the opposite. It has intensified the hostility and tensions among Europeans. The first step for the left is to say that the currency union has to end. The euro has failed, and we do not need it.

But would getting rid of the euro not precisely mean countries and their currencies competing among themselves, rather than having a shared solidarity?

It is not necessary to return to a system of national currencies competing among themselves either. There are intermediate alternatives, through which the nations of Europe can organise trade and capital movement. We do not need either a common currency, like the euro, or the current European Central Bank. The mechanisms that have been used for some years basically favour big business and the big banks.

Ultimately, if the left adopts an anti-euro

discourse, will it not be making the far right's work easier?

Quite the contrary! This is another failing of the left's. If the left had not accepted the euro, or had positively proposed a break from the euro on the basis of a radical discourse—"radical" in the sense of getting to the root of the problem—it would have made things more difficult for the far right. In Greece the far-right Golden Dawn party does have MPs but it has not been able to establish itself in the debate over the euro, because there was already a left arguing for [abandoning the single currency]. And it should have been the French left talking about that, instead of Marine Le Pen.

Even so, the majority position on the European left is not leaving the euro but reforming the EU. We have seen this in Spain with Podemos; as it made headway in the opinion polls, its discourse moved closer to the centre.

Certainly. And for this reason the European left has failed over the last decade, while the right—and now, it seems, the far right—has had a great time of things. Historically the left could be counted on to drive through policies favourable to the working class and the most vulnerable into institutional life, challenging the powerful and promoting radical changes. That is to say, changing the system, changing the world. Where is all that now? The left is paying the price for its conservative discourse on the currency union. The far right is now putting across a radical discourse, and it has stolen the greater part of the left's messages—and, in some cases, its electorate.

Your country, Greece, seems to have got stuck in a vicious circle of bail-outs and adjustment plans.

Within the context of the euro zone's failure, Greece is an extreme case. I do not believe that Greece will satisfactorily emerge from the crisis in the medium term. The reason is that when the crisis took hold the solution which the European Commission and Berlin

imposed essentially destroyed aggregate demand. Spending and pensions were cut, and taxes went up. This combination of measures caused a contraction in aggregate demand, and investment collapsed. Shops closed, unemployment grew, and there was a massive recession.

It was said that this would stabilise the economy, and that once aggregate demand had fallen this would provide the opportunity to take additional measures, like liberalising and deregulating the economy, in order to become competitive. But modern capitalism does not work like that. What happened is that the country stagnated: the economy grew a little and then began shrinking again. And Spain is not far off that description either.

Neither does it seem that the lenders are proposing a route very different from the one that has been followed up till now.

Greece will never grow this way, and it will remain stuck in stagnation, with aggregate demand destroyed, waiting for a miracle. This is a path taking Greece towards marginalisation and irrelevance, and things will go on like that as long as it stays in the currency union. To begin carrying out policies other than austerity, we have to leave the euro zone.



It seems that the support the SYRIZA government received during the referendum [in July 2015] has now evaporated. Is the “workers’ Europe” more myth than reality?

The workers’ Europe does not exist. It is a myth, which most of the European left believed in. There is not a single Europe: there are 28 states, 19 of which are in the currency union. The left needs to think more about national

sovereignty, and redefine it—not in a nationalist or aggressive sense but in a popular sense. I believe that this is the real prospect for a people’s and workers’ Europe. And not a transnational body with its head office in Brussels, governed by bureaucrats living in their own world.

I think that it is a mistake to think that the left could transform [this

latter] into a people’s Europe. The workers’ Europe exists first of all in your own country when you demand sovereignty. That is the basis for being able to create a Europe of solidarity.

You live in London. How have the first few months after Brexit been?

Brexit showed that the British working class does not want the EU, that the EU is not a popular project, and that it never has been in the United Kingdom. The EU was a project of the British middle class. And I believe that what we can say about the United Kingdom could also be said of quite a few countries: the EU has never been a project of the popular classes.

But the worst consequences will come when Britain actually activates the mechanism to leave the EU?

After the referendum, people said that Brexit would be the end of the world and that there would be a massive recession, capital flight, and economic turbulence. So far none of that has happened. Obviously when the real detachment process begins there will be some negative effects, but up till now they have been exaggerated. The predicted catastrophe is not happening. A lot of people are thinking, “If this is what happens when you decide to leave, then where’s the disaster?”

There will be complex negative effects on the economy. Untying a whole legal settlement will be an enormous amount of work, for European legislation affects many different parts of life. Trade deals and financial operations will also be affected, though we do

not know very well how.

Had you hoped that Brexit would win?

The British ruling class did not want Brexit. The City of London and the powerful wanted to remain. It was a surprise, and the elite was not prepared, because Brexit was a popular vote. However, at the political level Brexit has helped put an end to the Conservative Party's divisions over Europe. Today the Conservatives are strengthened.

The left, conversely, seems totally disconcerted.

Labour has no clear perspective, and it is divided. The UK left is in crisis, because it does not know what to say about Europe. It does not have radical proposals to put to the people. Some believe in [Britain] going back into the EU, thinking that they can change it. But that is senseless. It will never happen, and even if it did happen it would only lead to a worsening of working-class people's lives—working-class people who voted against the EU.

This shows one of the European left's problems: that it has lost working-class people's trust. Rather than proposing a programme to abandon austerity and encourage public investment and the redistribution of wealth, part of Labour is devoting its efforts to seeking a second referendum. Working-class people rejected this institution, yet part of Labour wants to go back into it. Politically speaking, this is senseless. In this context, the far right is winning over the British working classes. This is terrible, and the worst thing is that it is happening in several European countries.

The EU—No empty vessel

Is the European Union an empty vessel into which any political content may be poured? Can it accommodate not just neo-liberal conservatism but also Keynesian social democracy, hard-line greenery, or even pro-nationalisation democratic socialism?

The possibilities for progressive or socialistic advance in any political community depend to a significant extent on the constitutional structure of that entity. If those seeking such advance are serious about achieving a more equal society, they need to carefully weigh up the institutional potential of any given polity.

Yet constitutions do matter. Take the United States, for example—a country with a constitution that is difficult to amend, save by judicial reinterpretation. Its system of government is famously one of checks and balances, though with normally no check on the Supreme Court beyond its sense of self-restraint. As a result, progressivism has been constantly placed at a disadvantage. The New Deal, public health and gun control have all in turn been dogged and retarded by various aspects of the American constitution. However, the US system of government almost shines as a beacon of hope by comparison with EU structures.

Treaty revision

This is because the EU treaties not only contain procedural protections for capitalism, as is the case in the US Constitution: they also entrench substantive policies that correspond to the basic tenets of neo-liberalism.

Let me give a few examples.

Firstly, articles 107–108 of the Treaty on the Functioning of the European Union empower the EU Commission to vet state aid for its compatibility with the single market. This includes state aid to the public sector. The system also allows private corporations to challenge grants of state aid on competition grounds.

Secondly, the free movement provisions of the treaties have been interpreted by the EU Court of Justice as prohibiting industrial action that “disproportionately” obstructs the free movement of goods, services, capital, and workers: see the Viking and Ruffert rulings of the ECJ.



Thirdly, article 49 of the treaty grants companies the right of freedom of establishment. This includes the right to establish branches and subsidiaries in other member-states. It is difficult to imagine how the nationalisation of branches and subsidiaries of companies based in other member-states would constitute a lawful limitation on freedom of establishment.

For good measure, article 106 gives corporations the right to sue governments whenever any public monopoly infringes EU competition rules—including within the National Health Service.

None of this would matter very much if these provisions were easy to amend or repeal. However, being treaty provisions, these policies may only be changed by the agreement of all member-states.



The methods of treaty amendment are laid down in article 48 of the Treaty on the European Union. Under the ordinary revision procedure, the member-states must agree by common accord the amendments to be made to the treaties. Under the simplified revision procedures (used to revise Union policies), the

EU Council must act by unanimity. In each case the changes must be confirmed by all the member-states in accordance with their respective constitutional requirements.

Crucially, irrespective of which procedure is used, it takes only a single national government to veto treaty change. One would have to await a complete absence of neo-liberal governments in order to change the treaties in a socialist direction. Such is the stuff of fantasy.

EU legislation and the TTIP

It might be thought that outside the realm of treaty revision, life for progressives might be easier. With friends in the EU Parliament and some in the Council, secondary legislation might somehow provide a means of socialistic advance.

Take the privatisation of public utilities. The socialist position would surely be that member-states should determine the size of their own public sector. However, the EU liberalisation legislation tends to consolidate privatisation.

Nationalising such sectors as gas, electricity, telecommunications and postal services is forbidden by giving rights of market access to corporations. This prohibits the sort of extension of public ownership brought in by the Labour Party government in Britain in 1945.

New public enterprises have to compete with private firms in a capitalist market. Publicly owned companies are thereby compelled to act more as if they were private companies, particularly when the treaty provisions on state aid are taken into account. Similar legislation on railways is at present going through the EU institutions.

It might be argued that liberalisation legislation is the product of EU democracy and could be repealed by democratic means. However, the EU Council and Parliament do not operate in an ideologically impartial constitutional environment. While the liberalisation measures were enacted by qualified-majority voting in the Council, their repeal would be

harder to achieve, because of the complication of identifying the correct legal base for any such legislation.

Imagine that a national government sought to introduce EU legislation to allow all member-states a free choice over the public or private ownership of their energy, postal, telecommunications or railway industries. It would have to rely on the Commission—the very architect of EU liberalisation—putting forward a proposal to the Council and Parliament. Furthermore, the only legal base that is in any way credible would be article 352 of the Treaty on the Functioning of the European Union, which requires the Council to act unanimously. We are back to square 1: a single national government can veto socialistic advance.

There have always been parts of progressive opinion that have elected to deny the significance of constitutional provisions in making their strategic choices; instead they have clung to a belief in spontaneous com-

bustion. With the zeal of born-again evangelistic sects, they convince themselves that the people will somehow rise up from below and sweep aside all obstacles to social justice, including constitutional ones. The passage of decades, even centuries, when this doesn't happen does nothing to dampen their faith.

Against this backdrop, while there can be no objection to people pressing to make the EU more left-wing, such campaigners bear the responsibility of explaining how they will achieve their objectives in the face of the requirements of unanimity and common accord. As it stands at present, these requirements make substantial socialistic advance virtually impossible to achieve.

Unless those who seek such change face up to the constitutional obstacle that confronts them, the only progressive reforms to materialise will be confined to the realm of their own minds.