# PEOPLE'S NEWS

*News Digest of the People's Movement*

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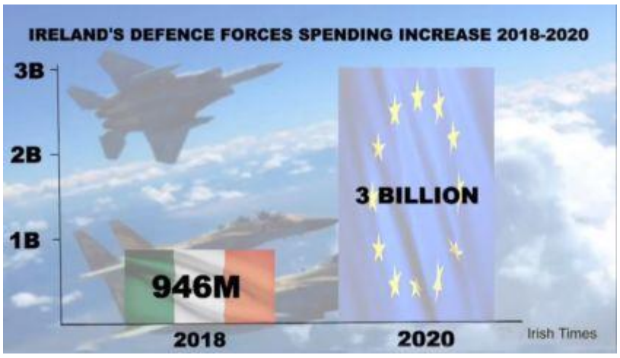
## This is sheer madness!

Increasing military spending, from 0.6 per cent of GDP to 2 per cent, as required by Ireland's membership of "permanent structured co-operation" (PESCO), will set us back an incredible *€3,000 million* a year … Up in smoke! This is criminal.

And there's our contribution to the EU budget, which Varadkar has told the EU Parliament we are "happy" to increase.

We could use this *each year* to—

- build the equivalent of two new hospitals a year (the new children's hospital is to cost €1 billion: €1 million per bed). Of course there would be additional and continuing staffing costs etc.; but we could definitely build the equivalent of two 1,000-bed hospitals per year, or extend existing hospitals to that extent;
- build Metro North, the proposed light-rail connection in north Co. Dublin—originally projected at €2.4 billion over ten years—and fast-track the construction;
- abolish property tax and have €2 billion left over to quadruple the building of social housing;
- more than halve the USC: it brings in about €4 billion per year;
- boost the building of social housing; Donohoe increased the housing budget to €1.9 billion, with an extra €500 million for a direct building programme from 2019 onwards, which he said would see an additional three thousand new social houses ready by 2021; if €3 billion per year was added to that we could have 21,000 new social houses—barring labour shortages etc.—by 2021, and be able to add that number per year without further budget increases.




There were 92,000 people (households) on the social housing-waiting list last September, with about 6 per cent on the waiting-list because they were "homeless or living in institutional or emergency accommodation."

So, 6,000 homes would clear the "homeless" waiting-list. Five years later—add a couple of years for bottlenecks—at a building rate of 21,000 per year, and the problem is solved.

The knock-on effect of such an injection into the building industry or through employment would be enormous. But the FF-FG coalition wants to burn it instead.

But they're well used to it: haven't they already burnt billions, following the banking crisis!

## The EU: talking of peace—preparing for war!

### Peace Conference

*Saturday 17 February, beginning at 12:00 (noon)*

*The Oak Room, Mansion House, Dawson Street, Dublin*

**Topics include:**

- PESCO and the militarisation of the EU
- The cost to Ireland of EU militarisation
- The EU, NATO, and war
- Building a national and European peace movement


There will be TDs, MEPs, and speakers from other EU countries, including Denmark—the only country to have an opt-out from EU military shenanigans. Confirmed speakers now include: **Lave Broch** (People's Movement, Denmark), **Luke Ming Flanagan** MEP, **Lynn Boylan** MEP, **Séamus Healy** TD, **Thomas Pringle** TD, **Gino Kenny** TD, **Éamon Ryan** TD, Senator **Alice Mary Higgins**, Dr **Karen Devine**, and more to be confirmed.

Find out more about the cost to Ireland of EU membership in financial, diplomatic and, especially, human terms. Ireland will be increasing its military budget by approximately €2½ billion per annum. Just think of the hospital waiting-lists, the housing emergency, etc.

**Come along and have your say in a campaign to reverse this disastrous decision.**

*The conference is sponsored by PANA and the People's Movement.*

## The single-market straitjacket

There are some who would still have us believe that the EU is not neo-liberal in its ideology but rather that it promotes a "social market" economy. But what does a "social market" actually mean?

The very term is based on a contradiction. One can choose to emphasise either the word "social" or the word "market," thereby providing ammunition both to those who favour a market orientation and to those who prefer greater governmental intervention. In other words, the term "social market" is in fact completely meaningless—and, as such, perfectly able to accommodate neo-liberalism.

The actual policy dynamic of the EU has been one-way. The turn of the century witnessed a wave of liberalisation directives, requiring the opening up of national markets in gas, electricity, postal services, telecommunications, and (more recently) railways. The EU liberalisation directives commit member-states to opening up access to these vital utilities sectors to third parties. Crucially, this access must be non-discriminatory.

The whole point of the liberalisation directives is that they compel governments to open these areas up. The democratic question is not addressed. Why should it be compulsory? If there are indeed exceptional areas that merit open access, that should be a matter of contestable policy on which a national government should be free to make up its own mind.

A requirement of non-discrimination makes perfect sense within the neo-liberal logic of these directives. What would be the point of inviting firms to compete against a public service provider if the government is going to lavish funds on the latter alone?

Under this regime, public-sector companies are merely allowed to compete alongside private firms (and indeed with the public-sector companies of other countries). But in a capitalist market in which discrimination in favour of a public sector provider is forbidden, there is so much that a government cannot do. There can be restrictions relating to investment, salaries, conditions, and pension provisions, as well as furthering consumer interests, not least in fashioning an appropriate balance between taxpayers' contributions and the costs for consumers.

Policy decisions will be constantly hampered by, on the one hand, the difficulties of operating within a capitalist market system and, on the other hand, the legitimate aim of not wishing to make a gift of state funds to the balance sheets of private companies.

The EU is part and parcel of globalisation. Although globalisation has a strong tendency to push countries towards uniformity, each country expresses globalisation uniquely. In Ireland an economic model dominated by foreign direct investment has been characterised by high levels of public debt, periods of massive unemployment, a catastrophic haemorrhaging of population, and a historical failure to develop its economy on the basis of independence. In the short term, what economic recovery has taken place has been on the basis of American and British trade and investment links rather than EU ones.

It has also included a massive programme of privatisation. Some of the main outcomes of this programme have been:

- Dairy Disposal Company: dairies returned to private ownership
- Irish Sugar PLC: listed on the Irish Stock Exchange as Greencore Group PLC
- Irish Life Assurance PLC: listed on the stock exchange, later merged with Irish Permanent to form Irish Life and Permanent PLC, then separated by the minister for finance and sold to Canada Life
- Irish Steel: sold by means of a trade sale to Irish Ispat International
- British and Irish Steam Packet Company: sold by means of a trade sale to Irish Continental Group PLC
- Nítrigin Éireann Teoranta: merged with the Irish part of Imperial Chemical Industries to become Irish Fertiliser Industries Limited (and closed in 2002)
- Bord Telecom Éireann PLC: listed on the stock exchange as Eircom PLC (now Eircom Group PLC)
- ACC Bank PLC: sold by means of a trade sale to Rabobank Ireland
- ICC Bank PLC: sold by means of a trade sale to Bank of Scotland (Ireland)
- Cablelink: owned by Eircom and RTE, sold by means of a trade sale to NTL, later sold on to Liberty Global Europe


- Aer Lingus Group PLC (Irish International Airlines): listed on the stock exchange; a minority government shareholding was retained but ultimately sold in July 2015
- Great Southern Hotels: privatised by means of a trade sale; some hotels are now rebranded as CG Hotels (soon to become part of Radisson SAS), while others retain the Great Southern name for the moment

The public utilities simply became private firms and gradually lost their appeal among consumers as it became clear that their priority, like that of any other private company, was profit-making.

What could a government committed to reversing this robbery of national assets actually do while being hamstrung by the single market?

In 1945 the British Labour Party won a landslide election victory. Galvanised by the strength of support for socialism at the time, along with the wartime spirit of state intervention, it proceeded to nationalise a fifth of the British economy. In particular it nationalised crucial public utilities.

Nationalisation meant public monopoly: gas was entirely the province of British Gas, rail travel was the exclusive bailiwick of British Rail, and so on. The private sector was not allowed to operate in these areas.

This system provided a fundamental building-block of British social democracy until the Thatcher revolution.

Where the government of 1945–1951 shied away from public monopoly—for instance in permitting lawful private-sector health business alongside the new National Health Service—this proved in the long term to be against the interests of the public sector. It hived off a section of the upper and middle classes from the NHS towards private health insurance companies, such as BUPA, thereby depriving the NHS of the power of its class assertiveness as sticklers for world-class standards.

Under the liberalisation directives, most of the 1945 nationalisations would be struck down by the courts. Their public monopoly would be incompatible with the European single market.

But such a vision of the limits of public monopoly will not go down badly in all quarters. In all likelihood it would have met with the approval of Friedrich von Hayek, father of neo-liberalism and Margaret Thatcher's hero and inspiration.

There is a myth that Hayek supported laissez-faire capitalism; in fact he repeatedly insisted that the state had a positive role to play in designing and con-tinuously adjusting systems of competition. He welcomed the planning required for creating such competitive systems; he was critical only of planning that was intended to be a substitute for such competition.

Again contrary to myth, he would probably have had no great objection to publicly owned companies vying with private firms, so long as a system of competition was ruthlessly enforced, with no favouring of the public sector. He had the sense to realise which ethos would prevail.

But such principles sit unhappily with a democratic economy.

## What is the EU Defence Fund, and how much money will be spent?

On 7 June 2017 the EU Commission officially launched the European Defence Fund. This fund will be made up of different public funding tools in order to finance research and development projects in technologies and goods for military purposes. The main recipients will be companies and applied research groups active in this domain; the priorities will relate to "cutting-edge" technologies, such as autonomous systems (including drones), intelligence surveillance, cybersecurity, and maritime security.

The official objective of such a fund is twofold: on the one hand to strengthen and standardise the military capabilities of the EU member-states, and thus, eventually, the EU army, and on the other hand to contribute to growth and jobs in Europe by supporting the competitiveness and innovation of this industrial sector.

For the years 2017–2020 a total of €590 million will be channelled to the military-industry complex through this fund; from 2021 to 2027 the minimum amount planned is €10½ billion (€1½ billion per year). These amounts are to be taken from the EU budget, while member-states are supposed to complement this fund with at least €2 billion in 2017–2020 and at least €28 billion in 2021–2027.


The fund is made up of two main parts, what the EU Commission calls "windows," and a financial "toolbox."

**1.** The first financial package is meant to finance the research and technology phase of military R&D.

This part is already under way through a preparatory action. It offers grants to companies and applied research groups active in the military sector. Under this preparatory action the EU Commission will give €90 million to the military-industrial complex (including applied research groups, possibly in our universities) between 2017 and 2019.

Then, for the period 2021–2027 the Commission will propose a fully fledged European Research Defence Programme, which will provide at least €500 million every year to the military industry for this research and technology phase, thus making a total of €3½ billion for seven years.

**2.** The second financial package is meant to finance the development phase of military R&D through a European Defence Industrial Development Programme. This programme, if adopted by the member-states and the EU Parliament, should begin in 2019 and will channel €500 million from the EU budget to the military industry in 2019–2020. Its follow-up programme for 2021–2027 would see its budget increased to €1 billion per year as a minimum, thus making a total of €7 billion over seven years.

This industrial programme is to be complemented by voluntary contributions from the member-states (remember that Varadkar said on our behalf last week that "we are happy to increase our contribution to the EU budget"), which the Commission estimates will amount to €2 billion for 2019–2020 and to €28 billion for 2021–2027 (€4 billion per year).

**3.** The European Defence Fund also foresees developing a "financial toolbox" to support member-states in the joint production and acquisition of military equipment resulting from this R&D process. It will primarily be administrative and logistical tools. However, the Commission does not exclude the possibility of contributing financially to this production and acquisition process, in a similar manner to what is happening under the Internal Security Fund.

There is a clear trend towards considering the arms industry a "normal" business, and "defence" as a priority. This paradigm shift was obvious in the 2016 "statement to the Union" by the president of the Commission, Jean-Claude Juncker; and all members of the Commission have been asked to look for ways to contribute to the strengthening of the armaments industry in their own field of action.

As a first step, the Commission decided to facilitate the access of arms companies to a range of EU funding opportunities—what the Commission calls "fostering investments in defence supply chains"—as a way of supporting the competitiveness of this industry.

In its European Defence Action Plan presented on 30 November 2016 the Commission proposed an increased use of the EU Structural Funds and of the Regional Funds, encouraging the creation of "regional clusters of excellence" in the field of defence, as well as access to funds under the EU scheme for the competitiveness of enterprises and small and medium-sized enterprises (COSME). The arms industry also became a priority under the new "Skills Agenda for Europe" by supporting an "industry-led European Defence Skills Alliance" and making use of EU funds such as COSME and … Erasmus Plus, the EU programme for education, training, youth, and sport!

So, in summary, what will be the exact amounts known at this point to be taken from the EU budget (together with member-states' contributions)?


From 2017 to 2020, €590 million will be taken from the current EU budget for military R&D: €90 million for research and technology and €500 million for the development phase. Member-states' voluntary contributions should add €2 billion, making a total of €2.59 billion for 2017–2020.

From 2021 to 2027 (the next EU budgetary cycle) it will be a minimum of €1½ billion per year, thus making a total of €10½ billion coming from the EU budget: €3½ billion for research and technology and €7 billion for the development phase.

If one adds to this the expected voluntary contributions from member-states, the European Defence Fund as a whole will amount to €5½ billion every year, and thus a total of €38½ billion for 2021–2027.

The plan also included a call to the member-states to adopt the lending criteria of the European Investment Bank, which so far exclude investments in projects related to the production and sale of weapons. This move in particular would open access to the €21 billion guarantee fund of the European Fund for Strategic Investment (also called the Juncker Plan) for the arms industry.

For the time being this proposal has been blocked by the EU Parliament. However, the EIB can already invest in security or dual-use projects provided they—nominally—deal with civilian applications only.

## The rich get even richer!

Some 82 per cent of the wealth generated in the world last year went to the richest 1 per cent of the global population, according to an Oxfam report published before the World Economic Forum in Davos. It referred to data from Credit Suisse showing that 42 people now own the same wealth as 3.7 billion people, who make up the poorest half of humanity.

The director of Oxfam, Winnie Byanyima, called it "a symptom of a failing economic system," which enables a wealthy elite to accumulate vast fortunes while hundreds of millions of people are struggling to survive on poverty pay—or no pay at all. That's hardly a sign of a thriving world economy.

Billionaires' wealth has risen by an average of 13 per cent per year since 2010—six times faster than the wages of ordinary workers, which have risen by a yearly average of only 2 per cent. The number of billionaires rose at an unprecedented rate: *one every two days* between March 2016 and March 2017.

It takes a mere four days for a CEO of one of the five biggest global clothing brands to earn what a Bangladeshi garment worker will earn in her lifetime. In the United States it takes slightly over one working day for a CEO to earn what an ordinary worker makes in a year.

Two more Irish people, the brothers **John and Patrick Collison** of Limerick, who founded the digital payments company Stripe, joined the Irish list of billionaires last year, bringing the total to eight. The other six members of the Irish billionaires' club are:

The Indian construction magnate **Pallonji Mistry**, who holds Irish citizenship, is worth \$14.3 billion (€11.7 billion). He is joined by the American-born owner of Lone Star Funds, **John Grayken**, who obtained Irish citizenship in 1999; he is worth \$6.6 billion (€5.4 billion), according to data published by Oxfam along with its report. The telecoms businessman **Denis O'Brien**, the Campbell's soup heir, **John Dorrance**, the financier **Dermot Desmond**, and the founder of Glen Dimplex, **Martin Naughton**, complete the Irish list.

These eight Irish billionaires have a combined wealth of €34.2 billion.

The principal factors driving up rewards for shareholders and corporate bosses at the expense of workers' pay and conditions include the erosion of workers' rights, the excessive influence of big business over government policy-making, and the relentless corporate drive to minimise costs in order to maximise returns to shareholders.

The results of a new global survey commissioned by Oxfam demonstrate a groundswell of support for action on inequality. Of the 70,000 people surveyed in ten countries, nearly two-thirds felt that the gap between the rich and the poor needs to be urgently addressed.

## A forlorn hope

The EU Ombudsman has asked the president of the EU Central Bank, Mario Draghi, to leave the "Group of Thirty" (G30), an exclusive club for central bankers and high-ranking representatives of financial corporations, and stay out for the rest of his presidency. Continued membership, she concludes, "could undermine public confidence in the independence of the ECB."

The G30 was set up in 1978 by large financial corporations, officially as a think tank and a forum for informal exchanges between the captains of finance, public and private. Yet the group soon appeared to act as a quasi-lobbying group, pushing for the type of regulation favoured by the big players on financial markets, almost always with representatives of big banks as spokespersons.

Draghi joined the G30 in 2005 while still working for the investment bank Goldman Sachs. At the time the ECB was represented at the G30 by its then president, Jean-Claude Trichet. When Draghi replaced Trichet at the steering wheel of the ECB, both remained members.

The ECB has been represented by its

president or other high-level personalities at the G30 since 1994. And in recent years there have been many indications that the ECB was stepping up its involvement, with several members of the governing bodies appearing at G30 events and participating in its working groups.

What makes this increased involvement even more unacceptable is that it took place in parallel with an expansion of the ECB's mandate. In the wake of the 2008 financial crisis, and while taking over supervision of some of the biggest banks in Europe, the ECB would nurture and strengthen its relationship with many of them in the G30, causing concerns that big banks could exert undue influence behind the scenes.

The G30 has guarded its secrecy in an effective manner. Very little information has seeped out to the public, and we are left to guess whether risky sharing of information or dubious political consensus-building is taking place. On top of this, the ECB has shown little or no interest in taking on the challenge of opening up the procedures of the G30 to the public, perhaps because it is out of their hands.

The ECB has claimed that its participation in the G30 is in the "public interest," yet it has failed to produce any evidence to back this up.

The members of G30 are picked by the "Board of Trustees," but the identity of the board members remains unknown, except for one member, the chairman of J. P. Morgan Chase International, Jacob Frenkel.

On the question of transparency, the ECB states that it is not its decision what to disclose and what not to. The ECB has appeared convinced that it can get away with anything.

The EU Ombudsman has now asked Draghi to quit the G30, and has also said that no member of the governing bodies or staff of the ECB should join as members.

She has also demanded that if the ECB intends to participate in G30 activities—other than the closed meetings of members—this would be under strong safeguards. It is an open question whether such arrangements are ever adopted.

More important, perhaps, than the matter itself is the light it throws on the excessively close relationship between the ECB leadership and the financial industry in general.

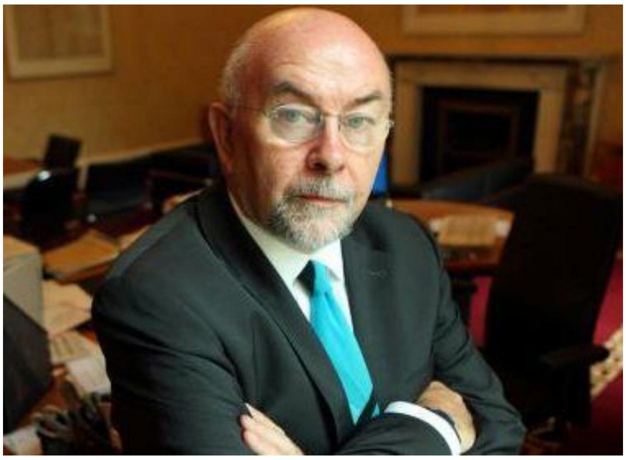
In a recent decision, the Ombudsman pronounced that the ECB is too close to the G30. "The implied closeness of the relationship through membership—particularly between a supervising bank and those it supervises—is not compatible with the independence obligation of an institution such as the ECB."

It is against democratic norms for regulators to team up with the corporations they are supposed to regulate, and to create circles of trust that no-one else can enter. The issue is not just about the G30: it is about corporate control of decision-making that is supposed to be made in the public interest.

## A hard neck!

The debate about Brexit organised by the Institute for International and European Affairs could have been pretty expensive for the taxpayer. Formerly known as the Institute for European Affairs, it was a cheerleader for the Nice, Amsterdam and Lisbon Treaties, led by the Labourite Brendan Halligan.

Now, under another Labourite, Ruairí Quinn, former leader of the Labour Party, it is touting an "IIEA Brexit hub" as an exclusive forum for private company executives and public servants to share insights and strategies on how to respond to Britain's departure from the EU.



Never short on hyperbole, Quinn warned that Brexit presents "the greatest existential threat Ireland has faced in peacetime." But hyperbole is expensive, especially when it supports the EU Commission's agenda—a quarter of a million from the taxpayer, to be precise.

The hub's proposed director is the former banker Dónal de Buitléir, along with Dan O'Brien, former economics editor of the *Iveagh House Bulletin,* a.k.a. the *Irish Times,* all under the guidance of the director-general of the IIEA, the former Fianna Fáil TD Barry Andrews.

The IIEA has an annual budget of between €800,000 and €1 million, of which 15 per cent comes from the Irish taxpayer, keeping the hub in-house and funding it from its own members. However, the Department of Foreign Affairs demurred on this one—but guess what: the department is financing a separate IIEA project on the future of the remaining twenty-seven EU member-states, at a cost of €250,000 per year to the taxpayer for three years!

So try a bit of hyperbole or declare your undying allegiance to the EU next time you visit your credit union or bank manager. You'd never know …

## France's "European intervention initiative"

German government advisers are praising the French government's new military policy document (*revue stratégique*) and are calling for accelerating the expansion of German-French military and arms co-operation.

With this document the French government is opening itself up to "cooperation in Europe, to a degree previously unknown," according to the German Council on Foreign Relations, thus offering the possibility of rapid progress in the formation of European armed forces.

The French policy document attaches great importance to a "stronger Europe," which could effectively defy "common challenges." According to the document, "France seeks to strengthen the European defence," and this also demands "a strategic culture shared by the Europeans."

This would mean that "at the beginning of the coming decade, the Europeans" must have a common defence doctrine and must be able to "jointly intervene in a credible manner." This demands launching a "European intervention initiative" (*initiative européenne d'intervention*), according to the Ministry of the Armed Forces.

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## And Berlusconi gets in on the act!

Silvio Berlusconi, the Italian tycoon and former prime minister, has said that "Europe needs to be strengthened with a unique foreign policy and a common defence: this would lead to many millions of euros saved and it would make Europe a world power able to sit at the table with great military powers and play a role in the future of the world."

He made the comments during a trip to Brussels to meet the president of the EU Commission, Jean-Claude Juncker, and the chief Brexit negotiator, Michel Barnier.

The 81-year-old Berlusconi is making a comeback in Italian politics with a pro-EU stance after surviving sex scandals, tax fraud, and open-heart surgery. Because of tax fraud he is banned from public office until 2019.

## A few home truths

*Larry Elliott*

Reprinted from the *Guardian* (London), 14 December 2017


*Blue Planet 2* demonstrated the terrifyingly fragile state of nature's ecosystem. One of the key messages from the BBC series was that a delicate balance exists in the oceans between predators and prey. If there are too many predators, the stocks of prey fall. The predators go hungry and their numbers dwindle, allowing the prey to recover. Balance is restored.

Humans have their equivalent of this predator-prey model. It is best demonstrated by the workings of the labour market, where there is a constant struggle between employers and employees over the proceeds of growth. Unlike the world of nature, though, there is no self-righting mechanism. One side can carry on devouring its prey until the system breaks down. Over the past 40 years, employers have been the predators, workers the prey.

Consider the facts. By almost any measure, the past decade has been a disaster for living standards. Unemployment has fallen from its post financial-crisis peaks across the developed world but workers have found it hard to make ends meet. Earnings growth has halved in the UK even though the latest set of unemployment figures shows that the jobless rate is the lowest since 1975.

The reason is not hard to find. Unions are far less powerful; collective bargaining in most of the private sector is a thing of the past; part-time working has boomed; and people who were once employed by a company are now part of the gig economy.

These changes in the labour market are by no means confined to the UK or US. European countries that were at the sharp end of the financial crisis—Greece, Ireland, Portugal, Spain, Cyprus—found that the cost of help was a programme of wage cuts, austerity and privatisation.

Clearly, the financial crisis has been a factor. Earnings growth in the UK in the decade before the banking meltdown was 4 to 4.5%; since 2008 it has struggled to reach half that level. But it would be a mistake to see the financial crisis as representing a break with the past.

Rather, it intensified a process that had been going on since the 1970s, a process that can only really be understood by use of the C-word: *class.*

Seen in the simplest terms, the story of political economy over the past four decades is a class war between capital and labour, which capital has won hands down. The battlefield is littered with evidence of labour's defeat: nugatory pay awards, precarious work, the collapse of collective bargaining, and cuts in public spending.

And to the victors have gone the spoils: higher profits and dividends; lower personal tax rates; a higher share of national income. Life for those at the top has carried on much as before, even as the average worker has experienced the worst decade for wage growth since the 19th century. Unsurprisingly, it sticks in the craw for those whose living standards are going down to see the 1% whooping it up. Nobody likes to have their nose rubbed in it.

There was a time when parties of the centre-left would have been the beneficiaries of this resentment. Yet the German Social Democrats have just had their worst electoral result since the second world war; the French Socialist party has been reduced to a rump; the Greek socialist party Pasok has been wiped out; Hillary Clinton managed to lose the race for the White House to Donald Trump. In Spain and the Netherlands the story is the same. Everywhere there is palpable unhappiness about what is seen as a rigged system; but other than in the UK, it has not translated into support for parties of the mainstream left.

An explanation for this is provided by William Mitchell and Thomas Fazi in their book *Reclaiming the State*: the left has given up on the politics of class and concentrated on the politics of identity. And while this has led to some worthy victories, none of them has actually challenged turbo-charged capitalism, which has had the field to itself.

There are still one or two politicians around who are unembarrassed about espousing the politics of class. Bernie Sanders is one; Jeremy Corbyn is another. Neither has bought into the argument—increasingly prevalent on the left since the 1970s—that nation states are powerless in the face of global market forces. Rather, Sanders and Corbyn say the state can and should be used as aggressively by the left as it has been by the right. This runs counter to the whole third-way approach pursued by Bill Clinton in the US and Tony Blair in the UK, which stated that centre-left governments had to come to an accommodation with the markets, in which accommodation meant repealing Roosevelt's curbs on Wall Street's speculative activities and using taxpayers' money to top up poverty wages through tax credits.

Labour's current contortions over Brexit are evidence of the tension between these two worldviews. A chunk of the party—the bigger chunk—thinks the only way to counter the excesses of capitalism is at a supranational EU level. Yet it is hard to square this belief with the 2007 Lisbon treaty, which commits member states to act in accordance with the principle of an open economy with free competition; frowns on state aid; and lays out disciplinary procedures for governments that run excessive deficits.

What's more, neoliberal theory has been put into practice—which is why, when French and German banks lent recklessly to Greece, the imperative was to protect French and

German bondholders rather than Greek workers.

It is a big—and debilitating—modern myth that the neoliberal revolution of the 1970s and the 1980s weakened the power of the state. What actually happened was that parties of the right refashioned and repurposed the state to undermine the power of labour and strengthen the power of capital. The enduring power of nation states was highlighted in the 2008 financial crisis, when it was only the willingness of governments to wade in with public money and taxpayer guarantees that prevented the entire global banking system from going bust.

So here are the options. Parties on the left can carry on believing that capitalism can be tamed at a transnational level, even though all the available evidence is that this is not going to happen. They can seek to use the power of the state for progressive ends, even though this will be strongly resisted. Or they can sit and watch as the predators munch their way through their prey. Even for the predators, this would be a disastrous outcome.

*(Larry Elliott is the Guardian’s economics editor.)*