PEOPLE'S NEWS

News Digest of the People's Movement

No. 33 4 September 2010

NESC says government must accept greater EU scrutiny

NESC

The government must change the way it handles the public finances and accept greater EU surveillance of its policies in order for Ireland to be a successful member of the euro zone, a new report by the National Economic and Social Council (NESC) claims. In a report that could have been written by the EU Commission and the European Central Bank, the council favours a greater sharing of information between EU members as part of an 'economic government' for the EU. Mandatory surveillance of economic policies and penalties for not adhering to joint fiscal policies could be part of the new regime, it suggests.

The report claims that membership of the euro has been beneficial to Ireland, and if Ireland had not joined the single currency it is likely that the economy would have fared worse over the past two years. It is noticeably silent on the previous eight years, however, when low euro interest rates set in the interest of a flagging German economy fuelled a borrowing binge in Ireland and when we were unable to rein in an inflationary spiral due to our loss of control of interest and exchange rates.

'The severity of the current crisis should make us absolutely determined to learn the correct lessons', the report states. In particular, Ireland needs to make 'an unambiguous reaffirmation' of its commitment to low debt – which in our present circumstances means cuts in public expenditure that will hurt the poor and the vulnerable.

The council is chaired by Dermot McCarthy, the secretary general of the Department of the Taoiseach, and comprises representatives of trade unions, employer groups, voluntary organisations and others.

Cutbacks hinder recovery – Stiglitz

Nobel Prize-winning economist Joseph Stiglitz has said that government cutbacks are hindering Irish and EU recovery and could lead to 'a longer-term Japanese-style malaise of weak growth'.

Stiglitz said the EU's cutback culture could push it back into recession. He specifically criticised the Irish goal of returning to a deficit of 3% of GDP by 2014. 'I think that is a kind of short-sighted behaviour that makes no economic sense' Joseph Stiglitz told listeners to 'Morning Ireland' on RTÉ Radio 1 last week.

No business ever expresses its targets in terms of how much debt it has, or in terms of how much deficit it has. It looks at its balance sheet, its liabilities and its assets.

'In the US, had we just spent a little bit of money building those levees in New Orleans, we would have saved a couple of a hundred billion dollars. The internet was financed by the US government, the most important innovation in the latter part of the 20th century. Cutting back willy-nilly on high-return investments just to make the deficit picture look better is really foolish.'

Mr Stiglitz said it was important that governments spend wisely, but added that capital spending is vital to drive recovery. He said Ireland's current cutbacks show a lack of vision on how to engineer recovery: 'Your government allowed the economy to become totally distorted, with a real estate bubble and with a banking system that was under-regulated. I am very critical of what happened in the US, but there are other countries that also allowed things get out of hand, and Ireland and Iceland are among those, worse even than the US.'

'To get things going again, you need to have a vision of where you want to go. You don't just want to get yourself back to where you were in 2007. There was something fundamentally wrong with what we were doing in 2007 – a wrong view of the balance between the market and government, a wrong view of the direction of our society and our economy. Unless you have a vision of where you want to go, you will be back making the same mistakes that got us into this mess in the first place.'

He said the deficit target of 3% of GDP was an artificial number, which could lead Europe into a double-dip: 'What we're doing is setting ourselves for a longer-term Japanese-style malaise of weak growth for an extended period of time. It's disturbing that people are talking about a new normal, with unemployment of 8-10%, which would be devastating.'

Two interesting conferences

The 22nd Greaves School features Ragnar Arnalds, former Icelandic finance minister, EU critic and member of the board of the Icelandic Central Bank. The school runs from Friday, September 10th, to Sunday, September 12th, and includes sessions on the economy and lobby groups, amongst others. Full details from (087) 230 83 30 or the Greaves School website.

A conference on Irish foreign policy runs next weekend, September 3rd and 4th, at the Teachers Club, Parnell Square, Dublin 1. Sessions include: 'Ireland, the EU and the foreign, security and defence policy', 'Irish foreign policy' and 'Ireland and the United Nations'. A number of People's Movement speakers will participate. See details on the PANA website.

Four thousand earned over €100,000 and paid no tax

Around four thousand people who earned more than €100,000 last year paid no tax on their income through availing of tax breaks in areas such as property investment and business expansion schemes, according to the Revenue Commissioners.

Most of those who had zero tax liability were company directors. Official figures show that tax relief on capital allowances, property-based Section 23 schemes, and on investment in film-making continue to cost the state hundreds of millions of euro.

The latest official figures show that of 234 individuals earning between €250,000 and €500,000 per annum, fifty-four paid tax at 0-5%. A further thirty-four paid tax at less than 10%. The biggest category of tax relief used by this category of people was the writing-down of allowances in respect of capital expenditure on hotels and holiday camps.

Which just goes to show that little has changed in Ireland and that the poor and vulnerable will still end up paying for the recklessness of those who still rip us off.

Support for EU falls again

Support for the EU has dropped to its lowest levels in nine years according to a recent Eurobarometer poll conducted on behalf of the EU Commission. Only 49% of respondents from across the EU considered their countries' membership a 'good thing' – four percentage points down from last year while in Ireland the percentage fell by six points to 66%. In Germany support for the EU fell ten points to 50%.

The level of trust in the EU institutions fell 6% from a year ago, down to 42%. The same poll shows that only 3% of Irish people support the creation of an EU army.

However, the EU Commission still tried to spin the clearly unfavorable poll results while presenting them as an endorsement for concentrating more powers in Brussels. The Commission claimed that 75% of citizens in the EU member states were in favour of 'stronger European economic governance'. EU Commissioner Reding said that 'the clear majority for enhanced European economic governance shows that people see the EU as a decisive part of the solution to the crisis'.

However, the question asked in the poll didn't even include the term 'European economic governance', nor did it make any reference to the EU's role in overseeing national economies.

Eurobarometer

German constitutional challenge

German human rights lawyer Sarah Hassel-Reusing has filed a complaint before the German constitutional court at Karlsruhe against the euro stabilisation mechanism. She primarily wants to prevent International Monetary Fund (IMF) credit conditions currently being applied to euro member countries from being translated to the rank of EU secondary law which is higher-ranking than IMF regulations. Most commonly, IMF conditions not only aim at completely paying back the debt to the creditors but are also associated with massive social decline, particularly of social insurance and wages accompanied by privatization of social institutions and even of sovereign authority such as state security.

Sarah is seeking confirmation that IMF conditions can only be implemented if they are compatible with the basic rights and structural principles of the German constitution and with the universal human rights of the UN.

In addition, she also wants to clarify if mechanisms such as that in which German tax-payers are expected to give guarantees for the benefit of creditors of other states are constitutional. The complaint further claims that the euro stabilization law is a carte blanche enabling law and so violates democracy and the rule of the law.

A video in English on the substance of the complaint can be viewed on YouTube.

Ashton to speak for EU at UN

The United Nations will grant EU foreign minister, Baroness Catherine Ashton, the right to speak on behalf of the EU at the UN General Assembly ahead of its 64th session, scheduled for September 15th. So far, the EU has only been allowed observer status within the UN. France and Britain – permanent members of the UN Security Council – were initially reluctant but eventually gave the go-ahead to a compromise whereby Lady Ashton will have the right to speak on the EU's behalf in the General Assembly but not in the Security Council – for the moment.

Meanwhile, the EU is in talks to lease the so-called 'Triangle building' in Brussels for its new diplomatic service, with EU foreign minister Catherine Ashton's new office likely to look over the Commission and Council buildings. The Commission is expected to lease the block at a cost of around €10 million a year. Lady Ashton's European External Action Service (EEAS) will fill most of the space, with some room left for assorted Commission departments. 'It's important for [Lady Ashton] to have her own premises, so that if she calls a meeting everybody is close to hand, but also to make the right impression when visitors come' an EU official said.

Swedish parliament tries to get Commission to reconsider

The Swedish parliament, the Riksdag, has announced it will oppose the Commission's proposed amendments to the Deposit Guarantee Schemes Directive. Under the amended directive, deposit guarantee schemes must offer depositors up to €50,000 if their bank collapses. The schemes are to be 75% pre-funded from bank contributions, with the remainder coming from additional contributions from other sources.

SVERIGES RIKSDAG

But the treasury committee of the Riksdag argued that the Commission wants to oblige member states to lend money to other member states which don't manage to fund a deposit scheme on their own. The Riksdag, going against the Swedish government, said that this represents a violation of the EU's subsidiarity principle.

It will now seek to stop the proposal under a provision in the Lisbon Treaty which obliges the Commission to reconsider, but not scrap, the proposal if one third of national parliaments object to it, within a window of eight weeks.

Press release from the Riksdag

Ireland pays more than Greece to borrow

Following the recent credit rating downgrade by Standard and Poor's, Ireland is rapidly being seen by economists as the second riskiest country in the euro zone after Greece. Ireland must now pay more than Greece to borrow and is having to subsidize Greece to meet its share of the rescue fund.

The difference in yield (interest paid by the Irish taxpayer) between Irish and German ten-year bonds (borrowing by the government) climbed to a record 3.45%. The rate has reached 5.48% per annum to borrow for ten years, or near 8% in real terms once deflation is factored in. This is crippling and puts the country on an unsustainable debt trajectory if it lasts for long.

Yet Greece is able to borrow from the EU at 5% and from the IMF at a staggered rate far below that. These were the terms of the €110 billion joint bail-out. As that friend of Ireland, the British *Daily Telegraph* says: 'It pays to riot in Europe!' We are paying the cost in monetary terms for our reluctance to organise in the face of this monstrous rip-off by the banks, ably assisted by their friends in government.

Swiss want EU links – but not membership

Switzerland will continue conducting bilateral trade agreements with the European Union at

the moment, declining the opportunity to apply for membership in the EU. The Swiss tradition of in-dependence and direct democracy are the two obstacles. But the European Union is the recipient of 60% of Swiss exports, which is why Switzerland is committed to continue to maintain an economic relationship with the Union.

The president of the Swiss Confederation, Doris Leuthard, said that 'the government has discussed the membership of the European Union but we have decided that at present the best instrument for Swiss interests remains the bilateralism'. Leuthard also stated that the Swiss government is not in favor of the adoption of European standards on its territory. The reaffirmation of the bilateral method coincides with the Swiss government's decision to launch negotiations on two new agreements with the EU for the chemical industry and cooperation with competition authorities.

EU affects 60% of local decisions in Sweden

A report from the Swedish Association of Local Authorities and Regions shows that 60% of the decisions taken in an average Swedish local authority and 50% of decisions taken in the country's regions are affected by the EU. Procurement in the healthcare sector, state aid during sales of land and property, animal welfare inspections and EU subsidy programs are all examples of how the EU affects local and regional decision-making, states the report. The findings in the report are based on decision-making agendas from thirty local authorities and seven healthcare regions.

Proposal for tax-base directive in early 2011?

In the European Commission's annual work programme for 2010 the Common Consolidated Corporate Tax Base (CCCTB) is included as a planned legislative proposal aimed at making 'tax rules simpler, reducing compliance costs and removing tax obstacles which companies currently suffer when they operate cross-border'. It would definitely have an impact on Ireland's low corporation tax base – an eventuality vehemently denied by the Yes side during the Lisbon referendum.

It remains very unlikely, however, that all or almost all of the EU-27 would vote in favour of CCCTB. Yet, under Lisbon, an important voting hurdle has been taken away if at least nine EU member state governments wish to go ahead with implementing CCCTB in their jurisdictions.

It is believed that the Commission's proposal for a directive on CCCTB could be tabled as soon as early next year, after which it would have to be discussed further at Council level. The Commission's dormant CCCTB taskforce has recently been re-organised and reinforced to this effect.

In October 2009, José Manuel Barroso tasked Mario Monti, president of Bocconi University and former EU commissioner for the Internal Market, Financial Services and Tax Policy and for Competition with 'preparing a report containing options and recommendations for an initiative to re-launch Europe's Single Market as a key strategic objective of the new Commission'. Monti has since held consultations with the European Parliament, several EU commissioners, member states and other stakeholders.

On 10 May 2010, the 'Monti report' was finally presented to EC President Barroso. No spectacular recommendations were to be expected on direct tax policy, however, as direct tax does not fall within the remit of the EU, although the powers retained by the EU's member states must be exercised consistently with EU law. Monti issued a number of recommendations which included:

• Work towards a common definition of the corporate tax bases and move forward with the work of the Code of Conduct Group on Business Taxation;

• Reform VAT rules in a single market-friendly way;

• Develop the area of environmental taxation in the broader context of tax policy and their impact on growth and employment.

The EU commissioner for taxation and customs union, Semeta, is a strong advocate of revamping the EC's CCCTB project and of tax harmonisation in general. He has pointed out that if need be the CCCTB should be implemented by means of the enhanced cooperation procedure, now Article 20 TFEU, which requires that at least a third of all EU member states could agree to implement CCCTB in their territories.

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EU plans new tax under cover of environment

'Clearly the idea of a European tax, the power to levy taxes, raises fundamental political issues and would be a very significant transfer of sovereignty.'

French Europe minister Pierre Lellouche

The European Commission plans a new tax on all types of raw materials in what it claims is an attempt to move households and industry to a more efficient use of raw materials. This would apply to renewable resources such as wood and metals, water and fossil fuels. In the view of the Commission, there is a clear link between the efficient use of resources and the competitiveness of countries.

The most efficient in the EU, according to the Commission's paper are Britain, Italy and the Netherlands. The consumption of raw materials has increased between 1980 and 2005 from 40 billion to 58 billion tons. In 2020 it could be 80 billion tons a year and a rich source of income ('own resources') for the EU to spend in any way it likes without the approval of the member states.

Europeans consume per capita three times as much resources as people in emerging economies. If resources in the EU were used 20% more efficiently it would, according to the authors, generate additional economic growth of 1%. In Germany alone, it is claimed, one million new jobs would be created.

It is planned that the commodity tax would be increased gradually over the years to encourage businesses and households to adopt a new attitude. So, according to the paper, it would generate little revenue the first few years. Nevertheless, the potential for revenue generation is clearly significant.

The Commission is also considering gradually banning the import of inefficiently produced products into the EU to protect European industry from disadvantages in international competition.

Article 269 of the Lisbon Treaty, reads: 'The Union shall provide itself with the means necessary to attain its objectives and carry through its policies … In this context it may establish new categories of own resources (taxes) or abolish an existing category'. Clearly, the proposed resource tax is a new category.

Ireland forces withdrawal of EU data-sharing plan with Israel

Ireland has forced the withdrawal of a controversial EU plan to allow Israel access to sensitive personal data on Irish citizens. The proposal was taken off the table at a European Commission meeting in Brussels following an objection lodged by the government.

Justice Minister Dermot Ahern admitted that he was surprised by the Commission's decision. He said the Irish objection was justified in the wake of the discovery that agents of the Israeli state had tampered with the details on Irish passports.

He said that concerns were also based on the failure of the Israeli government to include the manual examination of passports at border controls in the data-protection legislation. He was also worried about the status of the Israeli data-protection commissioner, who did not have the independence afforded to his counterparts in EU jurisdictions.

EU states are represented by civil servants at the meetings and Mr Ahern only became aware in July that the commission intended to push through the Israeli application 'on the nod' – without a vote.

'State of the Union' a step towards federalism?

A 'State of the Union' address, the first ever for the EU, was given by Commission president Barroso last Tuesday morning.

The address attracts comparisons with the speech by US presidents at the beginning of each year. President Barack Obama's first State of the Union address had about 48 million TV viewers in the US and millions more globally. This reflects two things. First, that a lot of what the US does affects the rest of the world. Second, that US citizens have a strong emotional engagement with the US and its president – be it positive or negative.

However, citizens of EU member states, let alone those from further afield, would be hard put to name the president of the Commission or say what his job entails. On top this comes a survey showing that support for the EU is at a record low in several countries. And that's the real state of the Union despite the pretensions! It's so bad that group leaders have threatened to fine MEPs who failed to turn up for the address.

Communication 'can work only if Commission is perceived as the EU's government' – Barroso

The European Commission is considering an overhaul in its communication strategy. The planned communication 'revolution' will aim to achieve greater centralisation of public communications, and a higher degree of 'personalisation' of EU policies around Commission President Barroso. The Commission argues that the credibility and the success of the EU project 'can work only if the Commission is perceived as the EU's government. We can achieve this by centering our communication on the figure of the Commission president. If the German government announces a project, it is Angela Merkel's project. In France, it would be Sarkozy's plan. We have to do the same in Brussels'.

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