PEOPLE'S NEWS

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The EU Permanent Austerity Treaty

The Government seems determined to push ahead in the next few months with the ratification of two important treaties: the "Treaty on Stability, Co-ordination and Governance in the Economic and Monetary Union" and the revised "Treaty on the European Stability Mechanism."

The two treaties would make member-states of the euro zone into regimes of economic austerity, involving deeper and deeper cuts in public expenditure, increases in indirect taxes, reductions in wages, sustained liberalisation of markets, and the privatisation of public property.

It would really be more accurate to call the first treaty the EU Permanent Austerity Treaty and the second the Conditional Support Treaty. But whatever they are called, the two treaties represent a seriously dangerous threat, and democrats should be mobilising to resist them.

The cumulative effect of being bound by both treaties would be an obligation to insert a balanced-budget rule "through provisions of binding force and permanent character, preferably constitutional or otherwise guaranteed to be fully respected and adhered to throughout the national budgetary processes," to put Irish budgets under permanent and detailed euro-zone supervision, to make the existing subordination of Ireland's interests to those of the "stability of the euro area as a whole" even more systematic and pronounced, to impose conditions of "strict conditionality," without limit, for ESM "solidarity" financial bail-outs, and to require Ireland to contribute some €11 billion to the ESM fund when it is established later this year.

The European Commission and the European Central Bank are obsessed with "economic governance," which would require smaller euro-zone states in particular to make themselves permanently amenable to a regime under which Germany and its allies would regularly and permanently vet members' fiscal policies and impose punitive fines on those failing to observe deflationary budget rules.

When politicians like Enda Kenny urge us to stomach a particular draconian measure while claiming that it would help us to ultimately "restore economic sovereignty" they conveniently fail to mention that this is the sort of "economic sovereignty" they have in mind. For them, permanent austerity plus the IMF is "national shame"; permanent austerity minus the IMF is "national recovery." The latter is what is on offer through the EU Permanent Austerity and Conditional Support Treaties.

Of course it is totally irrelevant to this Eurofanatical mindset that the draconian fiscal measures imposed on Greece have only worsened the problems of that country. Also conveniently ignored in this version is that Ireland in the euro zone had to adopt unsuitably low interest rates in the early 2000s, because these suited Germany at the time. In the immortal words of Bertie Ahern, this made our "Celtic Tiger" boom "boomier." It of course inflated the property bubble.

The former Taoiseach John Bruton and others have contended that the failure of the European Central Bank to supervise adequately the credit policy of the national central banks in relation to the commercial banks in Ireland and various other euro-zone countries was significantly responsible for the emergence of asset bubbles in those countries in the early and middle 2000s, and thereby contributed hugely to the financial crisis they are now in.

And the then head of the European Central Bank, Jean-Claude Trichet, was probably engaging in a variety of "economic governance" when he told Brian Cowen and Brian Lenihan on 29 September 2008, at the time of the criminally irresponsible blanket bank guarantee, that Anglo-Irish Bank must on no account be allowed to go bust and that the foreign creditors and bond-holders must be paid every penny.

When the Irish people ratified the Maastricht Treaty in 1992, setting up economic and monetary union, and when they ratified the Lisbon Treaty, establishing the European Union on a new constitutional basis in 2009, they approved membership of an economic and monetary union whose member-states would follow rules that would be enforced by a system of Commission surveillance, formal recommendations, and warnings for delinquent states, followed by sanctions in the form of compulsory deposits and fines of an appropriate size in the event of member-states persisting in breaches of these provisions.

The EU member-states adopted the rule regarding 3 per cent and 60 per cent of GDP to ensure that member-states of the euro zone would avoid excessive deficits and consequent borrowing, for that would affect all euro-zone states using the same currency. But the excessive-deficit articles were not enforced once Germany, France and others states broke the excessive-deficit limits in the early 2000s.

Recommendations of measures to repair excessive deficits were made by the Commission to a number of member-states, including Ireland, in the early 2000s, but when in 2003 France and Germany found themselves in violation of the excessive-deficit criteria the Council failed to take any of the other steps set out in the rules to remedy their breaches.

No proposal to impose sanctions for breaking the rules was ever put by the Commission to the Council of Ministers, and no sanctions were adopted against countries violating the rules. As a result, several member-states ran up huge annual government deficits and national public debts that were near to, or in some cases well over, 100 per cent of GDP.

Is debt always a bad thing? Obviously not in the private sector, as corporations regularly borrow money for expenditure they don't want to meet out of retained earnings, while most households aim to have a long-term mortgage.

Public debt is not a burden passed on from one generation to the next. The stock of public debt is a problem only when its servicing—i.e. the payment of interest—is unaffordable, such as when, in times of recession, growth is nil or negative, or when the interest rates demanded by the financial market are soaring.

The question is, when is the debt sustainable? Sustainability means keeping the ratio of debt to GDP stable in the longer term. If GDP at the beginning of the year is €1,000 billion and the Government's total stock of debt is €600 billion, the debt ratio is 60 per cent. The fiscal deficit is the extra borrowing that the Government makes in a year, so it adds to the stock of debt. But although the stock of debt may be rising, as long as GDP is rising proportionately the ratio of debt to GDP can be kept constant, or may even be falling.

The rule is that as long as the real economy is growing by at least as much as the real rate of interest on debt the debt-GDP ratio doesn't rise. This holds true irrespective of whether the debt ratio is 60 per cent or 600 per cent.

But there's a catch. In a modern economy the public sector accounts for about half the economy. If a country panics about its debt ratio and cuts back sharply on public-sector spending, this reduces aggregate demand and may lead to stagnation or even recession. When a country stops growing, financial markets decide that its debt ratio may rise and so become more cautious about lending and may demand a higher bond yield, i.e. interest rate. The gloomy prophecy of growing public indebtedness becomes self-fulfilling.

The way out cannot be greater austerity. What works for a single household or firm doesn't work for the economy as a whole. A household can tighten its belt by spending less, saving more, and thus "balancing the books"; but an economy cannot. If everybody saves more, national income falls. As no euro-zone country can devalue, to ask each member-state to balance the books by running an export surplus is empirically and logically impossible.

The way out of the "debt trap" is the same as the way out of recession: if the private sector won't invest, the public sector must become the investor of last resort. It doesn't matter whether new investment is financed by more government borrowing, quantitative easing, or redistribution (some combination of the three would be optimal). What matters is growth.

Why there must be a referendum

The contracting parties must apply the balanced-budget rule "through provisions of binding force and permanent character, preferably constitutional or otherwise guaranteed to be fully respected and adhered to throughout the national budgetary processes."

A majority of the Supreme Court in the Crotty case in 1987 (which found that a referendum was necessary to ratify significant changes to EU treaties) held that an organ of the state cannot agree to circumscribe or restrict any unfettered power conferred on it by the Constitution.

In the judgement Mr Justice Walsh said that the freedom to form economic policy was an aspect of the state's sovereignty. This meant that article 3 (1) would have to be protected by article 29.4 of the Constitution, which ratified the Maastricht Treaty, if it was to be constitutionally valid.

However, article 29 refers to treaties of the European Union, whereas the proposed treaty will only be a treaty agreed between 25 of the 27 member-states, so it will not be covered by article 29.

These rules and policy conditions in turn provide considerable scope for financially hard-pressed member-states to be pressured to take steps against their national interest, including in relation to harmonising corporate taxes. Establishing this permanent enhanced fiscal architecture would be a major step towards an EU fiscal and political union—something that has been recognised in statements by leading EU politicians.

This implies a significant diminution of national state sovereignty, going well beyond the scope of the existing European Union and the monetary union that it embodies, which only the people themselves can agree to.

The absence of limitations on the "strict conditionality" that will mark financial disbursements from the proposed ESM fund—such as might have been set out in an accompanying protocol, for instance—emphasises further the dangers to the state's interests that could arise from harsh or excessively onerous conditions attaching to financial assistance that might be offered to member-states seeking assistance from the fund.

Thought for the day

"Germany offers assistance—yet is demonised by people who swindled their way into the monetary union and have driven it to the edge of the abyss. They are using the fine principle of solidarity as a means for extortion. The EU has no future as such an extortion community."—*Frankfurter Allgemeine Zeitung* (Frankfurt), 14 February 2012.

People's Movement rejects EU Permanent Austerity Treaty and demands a referendum

At a People's Movement meeting on the EU Permanent Austerity Treaty held in the Town Hall Theatre, Galway, last week, a capacity audience heard Robert Ballagh, Prof. Terence McDonagh and Cllr Catherine Connolly reject its terms and demand a referendum. A follow-up meeting is planned.

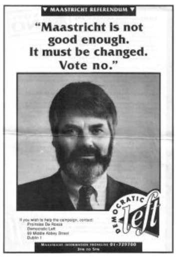
Permanence of debt brake "may not be constitutional"

A "debt brake" that sought to be "permanent and binding," as envisaged in the proposed EU Permanent Austerity Treaty, could be unconstitutional, according to the professor of constitutional law at TCD, Gerry Whyte.

The Government has referred the proposed treaty to the attorney-general for her opinion on whether it will require a referendum, and has said that if not it will legislate to give effect to it.

Prof. Whyte told the *Irish Times* that any assumption that ordinary legislation would be sufficient to meet the terms of the proposed treaty should be "stress-tested." *"Legislative provisions do not have a 'permanent character',"* he said, *"inasmuch as it is always open to the Oireachtas to amend legislation and, in my opinion, it is not constitutionally open to the Oireachtas to put any Act beyond amendment."*

He pointed out that article 3 (1) of the proposed treaty required measures to reduce the structural deficit to 0.5 per cent of GDP "through provisions of binding force and permanent character, preferably constitutional, or otherwise guaranteed to be fully respected and adhered to throughout the national budgetary processes." However, he said that a majority of the Supreme Court in the Crotty case in 1987 (which found that a referendum was necessary to ratify significant changes to EU treaties) held that an organ of the state cannot agree to circumscribe or restrict any unfettered power conferred on it by the Constitution.



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"Given the UK and the Czech Republic have opted out of the proposed treaty, it would seem very difficult to argue that the treaty is 'necessitated' by our membership of the EU," Prof Whyte said.

Dr Gavin Barrett of UCD agreed that the proposed treaty was not protected by article 29, but he pointed out that all legislation, when passed, is "of binding force and permanent character." If the Government tried to make the proposed treaty more permanent than any other law, it would run into constitutional difficulties, he said.

Canny Scots!

An independent Scotland would be one of the wealthiest parts of Europe, but it would stay out of the euro, the deputy first minister of Scotland, Nicola Sturgeon, told *EU Observer.*

The ghost of "Social Europe" returns

Remember Delors?

In speeches to mark the twentieth anniversary of the Maastricht Treaty, signed on 7 February 1992, which led to the creation of the euro, both Jacques Delors, former president of the European Commission, and José Manuel Barroso, in a fit of federalist zeal regretted the national "resistance" and "lack of spirit of co-operation" among the leaders of the twenty-seven EU countries.

Delors said that the Maastricht anniversary provided lessons for the future, and gave his support to Barroso for heralding the community approach in the face of the recourse to intergovernmental arrangements. "I would like to express my full support to the Commission, in a moment when others take distance from the community method," he said.

Delors was asked by journalists to comment on the social dimension of the Commission's action, which, they argued, was less present in the present Commission, headed by Barroso; but he dodged any mention of his vaunted concept of "Social Europe," putting the markets first, saying that the issue today was to restore the financial situation of EU countries while maintaining economic growth. "On these problems, governments should do the effort to co-operate more and to listen more to the Commission in this regard," he said.

Asked about the present trend towards austerity, Delors said: "I was the first to use the term when I was finance minister. When it's necessary, I talk about it. And I remain popular. See, it's curious."

Perhaps he has always been delusional!

Does Enda Kenny know about this?

A group of nine euro countries, led by France and Germany, has asked the Danish EU presidency to fast-track plans for a financial transactions tax—a move indicating that they will forge ahead on their own in the absence of an EU-wide consensus.

"We strongly believe in the need for a financial transactions tax implemented at European level as a crucial instrument to secure a fair contribution from the financial sector to the costs of the financial crisis and to better regulate European financial markets," the letter says. The nine signatories are the finance ministers of France, Germany, Austria, Belgium, Finland, Greece, Spain and Portugal and the prime minister of Italy, Mario Monti.

Meanwhile in Ireland the Finance Bill contained twenty-nine measures to assist the International Financial Services Centre—an offshore money-laundering operation—while piling taxes, levies and cuts on the overburdened people of this country.

The group of nine asks the Danish presidency "to accelerate the analysis and negotiation process" of a proposal by the EU Commission to introduce a 0.1 per cent tax on shares and 0.01 per cent on trading in derivatives—the larger and riskier financial market, widely held responsible for the 2008 financial crisis.

The Fine Gael-Labour coalition fiercely opposes the tax, continuing that fine Fianna Fáil tradition of looking after the wealthier in our society.

. . . or this ?

The German minister of finance, Wolfgang Schäuble, was caught by a cameraman at the euro-zone ministers' meeting promising Portugal an adjustment to its programme after a deal with Greece is concluded—the first time an EU minister has publicly spoken of such plans.

EU Observer reported that Schäuble is telling his Portuguese counterpart, Vítor Gaspar, that after the Greek deal is done the German government will approve a loosening of the conditions attached to Portugal's €78 billion bail-out programme.

"If at the end we need to make an adjustment to the programme, having taken large decisions about Greece . . . this is essential. But then, if necessary, an adjustment of the Portuguese programme will be prepared," he says.

The Portuguese minister, not unexpectedly, says, "Thank you very much."

"No problem," Schäuble replies.

And we thought the "independent" European Central Bank made these decisions!

And Kenny, on his own admission, didn't even ask.

Kenny promised "constructive engagement"!

The French minister of finance, François Baroin, and his German counterpart, Wolfgang Schäuble, have unveiled a "green paper" describing plans for Franco-German tax convergence. According to the document, France and Germany will aim to harmonise their corporate tax rates by 2013.

Remember before the election that Fine Gael was not going to put a cent into Anglo-Irish Bank? Well, would you give our corporation tax rate much chance?

This week the finance ministers of all twenty-seven EU member-states will meet to discuss economic governance legislation put forward by the Commission, which would give it greater powers in assessing and correcting financial instability. There will also be a Franco-German presentation on plans for a common consolidated corporate-tax base. It will be interesting to hear Noonan's take on the event!

Meanwhile the EU commissioner for taxation and customs union, Algirdas Šemeta, has assured the British House of Lords that the implementation of a financial transaction tax would "minimise the risk of relocation," saying that it is expected to raise €60 billion throughout the region every year.

Remember "own resources" in the Lisbon Treaty?

Does he think we're complete idiots?

The Taoiseach says that Ireland's acceptance of the EU Permanent Austerity Treaty will not condemn the country to further years of austerity. In the same breath he also rejected the suggestion that Ireland had lobbied the EU to draft the text of the fiscal compact in a manner that would avoid a constitutional referendum in Ireland.

Even the *Irish Times* has reported extensively on the shenanigans in Brussels as the EU civil servants struggled to give the Fine Gael-Labour coalition a dig-out.

Kenny, flying in the face of all the evidence, and knowing that he had agreed to a debt reduction of 3 per cent per year over the next twenty years, predicted that Ireland would experience growth, not recession.

It seems that he is either incompetent, a liar, or a fool; but then maybe we're being a bit too kind and he is simply a tool of Brussels, big business and the Bundesbank. In any case he is doing inestimable damage to the country and the people he purports to "lead."

Same man—different message

Speaking in Paris last week, Leo Varadkar said that Ireland has paid a high price for being in the euro in not being able to inflict losses on bank bond-holders, and that if this country had not been in the euro such bond-holders in Irish banks would have been "burned."

"Without the backing and restraints of the ECB we would certainly have had to embark on more aggressive bank resolution policies, which would have meant passing on major losses to financial institutions here in Paris

and elsewhere," he continued, obviously feeling that it was safe enough to spell out in Paris a reality that he would not dare tackle at home.

It's straightforward enough, really. As he said. *"Being part of the euro also prevented the Government from devaluing our currency, which would have enabled us to ease the burden of the financial crisis.*

"Had it not been for our membership of the euro and the constraints that go with it, Ireland would have pursued, and would have had to pursue, very different policies. We would certainly have devalued our currency, giving us an unfair competitive advantage over our neighbours."

But surely if one's loyalty is to ones own country, whose people elected you to government, you would act in their interest first? Instead we are treated to this outstanding example of Europhilia in a government minister. Needless to remark, devaluation is all about competitive advantage, so Leo wasn't really serious.

But he was serious enough when he said last month that he is concerned that a referendum on the planned EU Permanent Austerity Treaty would focus not on its content but on domestic issues. He said he did not think referendums are "very democratic," and that, by and large, referendum campaigns in the past were never about what they are supposed to be about. He would be concerned that a vote on the EU plan would focus on extraneous issues, such as septic tanks, bond-holders, the banking crisis, or Government cut-backs.

Enough!

Shhhhh! They signed!

The treaty establishing the European Stability Mechanism, a permanent bail-out fund for the euro zone, was quietly signed in Brussels on 2 February. In an outstanding display of what passes for transparency, there wasn't a word from the Government about this handmaiden of austerity.

The treaty now needs to be ratified by the seventeen members of the euro zone, with the intention that it will come into force in July. The ESM is designed to be a permanent successor to the European Financial Stability Facility and goes hand in hand with the EU Permanent Austerity Treaty.

The People's Movement pamphlet on the treaty is at www.people.ie/eu/esmref2.pdf.

On the hundredth anniversary of the 1916 Rising!

The EU commissioner for justice, fundamental rights and citizenship, Viviane Reding, has said that twenty years after the Maastricht Treaty, Europe is in need of "democratic rejuvenation,", and she has proposed a five-point plan for 2020. The plan includes convening "a convention to draft a treaty on European political union." Such an agreement should ensure that the European Parliament becomes a true European legislature, with the right to initiate legislation and the exclusive right to elect the Commission.

From 2016 to 2019 the treaty on political union would be subject to ratification in all member-states by way of referendums. It would enter into force once two-thirds of member-states had ratified it. Citizens should be given two alternatives: either to accept the new treaty or to reject it and remain in a close form of association, notably by continuing to participate in the single market.

So if Reding's kite flies higher we may have the ultimate referendum on independence and sovereignty in 2016!

Here we go!

Next stop NATO

Irish soldiers are participating in an Austro-German battle group, beginning on 1 July. There are 175 personnel involved, and they will be on standby at Cathal Brugha Barracks, Dublin.

The Dáil will be asked to approve a memorandum of understanding covering Ireland's participation. The memorandum will be between Germany, Austria, the Czech Republic, Ireland, Croatia and the former Yugoslav republic of Macedonia and will set out principles in relation to the operation, deployment and management of the battle group. It defines Germany as the framework state and Austria as the logistic lead state.

The standby costs are €380,000, and the estimated additional cost for a maximum 120-day deployment of the group is €10.7 million.

The purpose of the EU battle groups is to undertake operations as outlined in the Amsterdam treaty—the Treaty on European Union. These operations, known as the Petersberg Tasks, include tasks of combat forces in crisis management, including peacemaking. In the Lisbon Treaty these tasks were expanded to include joint disarmament operations, military advice and assistance tasks, conflict prevention, and post-conflict stabilisation.

In the words of Alan Shatter, "Ireland's active engagement in EU battle groups enhances our capacity to influence the ongoing development and evolution of the rapid-response capacity of the EU."

So much for our policy of neutrality!

Irish spooks up to their necks in it

Deep in the EU undergrowth, since it has quietly signed up to the Justice and Home Affairs section of the Lisbon Treaty, where it enjoyed a temporary opt-out, Ireland is engaged in discussions on a wide range of "security" issues with a potentially huge effect on civil rights and individual liberties.

The opt-out meant that this hugely important part of the treaty remained below the radar during the referendum debates, but measures designed to combat terrorism and crime and to protect the EU from "natural and man-made disasters," even "traffic accidents," are featured on the agenda of a myriad of committees of unaccountable officials.

Their work is revealed in a series of classified EU documents, littered with acronyms, reflecting the large number of proposals designed to strengthen links between the security and intelligence agencies of EU member-states.

One document, "Draft working method for closer cooperation and coordination in the field of EU security," was sent by the presidency of the EU Council, a post then held by Hungary, to the Standing Committee on Operational Cooperation on Internal Security. It refers to "calls for closer co-operation between the fields of the common foreign and security policy and the area of freedom, security, and justice."

After mentioning moves to "enhance links between the internal and external aspects of counter-terrorism," the document states: "It is important to note that effective and timely co-ordination between the competent authorities at national level and cooperation with the relevant actors at EU level are of critical importance to building close relations between the external and internal aspects of EU security."

Included among "possible areas of cooperation in the field of EU security" are "the proliferation of weapons of mass destruction," "terrorism," "organised crime, including cross-border crime and illicit trafficking," "cyber-security," "energy security," and "climate change."

Another classified document from the Crisis Management and Planning Department for the Political and Security Committee discusses strengthening ties between the common security and defence policy and the area of "freedom, security, and justice." Entitled "Elements of a draft road map," it refers to the EU's little-known Political and Security Committee drawing up plans for "comprehensive situational awareness and intelligence support" and "improving co-operation in planned EU external action."

Other documents refer to "informal networks," a "joint situation centre" designed to promote co-operation between EU spooks, "road maps," and "inter-institutional information meetings."

A list of initials and acronyms copied into one document illustrates the plethora of committees relating to "security" and intelligence spawned by the EU. They include JAI, COSI, COPS, CIVCOM, PESC, RELEX, JAIEX, ENFOPOL, COTER, and PROCIV.

The documents were leaked to Statewatch, a British charity that monitors threats to civil liberties throughout the European Union. They reveal a patchwork of committees that may appear on the surface to be little more than an attempt at European bureaucratic empire-building. Their significance, however, is much greater than that, as this secretive network is concerned with security, intelligence, and law enforcement—issues of vital concern to EU citizens.

Tony Bunyan, editor of Statewatch, pointed out that "a whole new panoply of working parties and informal groups is mushrooming in the field of EU

external security." He added that the European External Action Service, headed by Catherine Ashton, was pushing for EU agencies to operate outside

Europe on such issues as gathering intelligence and personal data as well as distributing personal information throughout the EU.

These practices would go far beyond the remits laid down in EU law. Crucial documents are not publicly available, and there is no mechanism for parliamentary accountability at the national or the EU level; and it would more than optimistic to expect that Alan Shatter might break the veil of secrecy!

Kenny, Gilmore, and a referendum

Enda Kenny and his cronies would do well to tell the truth about the EU Permanent Austerity Treaty. The Taoiseach and his mates deny that the pact was crafted to minimise the prospect of a referendum in Ireland. That is exactly what happened, however, and it is no secret at all in Brussels, where the treaty was written.

Parts of the pact were explicitly drafted to give Kenny a chance of avoiding a vote on it. An EU official quoted in the *Irish Independent* accepted that the matter was likely to go to the Supreme Court but said the EU authorities hoped there would be no referendum, as many voters would relish an opportunity to inflict a bloody nose on the Government and the EU over their austerity and pro-bondholder bail-out policies.

Kenny insisted that Irish negotiators were not told to circumvent the risk of a vote and were given a mandate to maximise Ireland's interests in the talks. But think about the damage that would be done to Kenny if there was a referendum and it was rejected. He would be hugely diminished—domestically and internationally—and questions would be asked about his ability to plough on with the EU-IMF programme, which Eurocrats hope will deliver a badly needed success for their cruel austerity policy.

So there is every reason to believe that the authorities would tinker with the text of the treaty to make an Irish vote less likely.

And what about the comment made by Éamon Gilmore that the provisions of the treaty had no "appropriate" place in the Constitution of Ireland? If that is a legitimate argument to make before an Oireachtas committee, is it not equally legitimate to make it in an EU negotiating forum?

And was it made? Somehow it echoes Gilmore's claim that there would not be another referendum following the first rejection of the Lisbon Treaty! Well, there's a pair of them in it; but remember what happened to Fianna Fáil! There are big changes ahead, and those who are honest with the electorate, uphold their interests and enhance the sovereignty of the people will be the ones to benefit.

Septic tanks?

The European Commission is proposing for the first time to regulate pharmaceutical pollutants in surface water, citing their potential hazard to humans and aquatic life. Three pharmaceutical substances—including those found in oral contraceptives and hormone medicines—are among the fifteen chemicals the Commission proposes to add to those regulated in EU member-states.

Greek president rejects German interference

Relations between Germany and Greece, strained since the beginning of the economic crisis in 2009, appeared to reach a new low point amid the exchange of barbed comments between the two countries.

President Károlos Papoúlias was uncharacteristically blunt in his response to repeated criticism about the Greek economy and politics. He accused the German minister of finance, Wolfgang Schäuble, of making insulting comments, including the suggestion that Greece should not hold elections now, because its politicians are incapable of keeping to the terms of a new bail-out. "We all have a duty to work hard to get through this crisis," he said during a visit to the Ministry of Defence. "I will not accept Mr Schäuble insulting my country. I don't accept this as a Greek.

"Who is Mr Schäuble to insult Greece? Who are the Dutch? Who are the Finns? We always had the pride to defend not only our own freedom, not only our own country, but the freedom of Europe."

The comment that appears to have sparked Papoúlias's response was a suggestion by Schäuble that Greece should follow Italy's example by forming a "technocratic" government. He also cast aspersions on the record of Greek politicians in the past. "After [the technocrats have completed their work] the democratic process can resume with the effects that we have all seen over the last few decades."

The poor get poorer as austerity bites

Recently released figures for 2010 show that 115 million Europeans, or 23 per cent of the EU population, live in households with less than the poverty-threshold disposable income, in households where there is severe material deprivation (such as a lack of heating), or where the adults worked less than 20 per cent of their total work potential.

While 13 of the 25 member-states that provided information recorded an increase in the numbers affected when compared with 2009, Spain (23.4 per cent to 25.5 per cent) and Lithuania (29.5 per cent to 33.4 per cent) recorded the greatest leap from one year to the next.

The figures for deprivation were even higher among those under the age of seventeen, with 27 per cent of young people throughout the EU falling below the threshold.

In all, twenty countries recorded a higher rate of poverty and risk of social exclusion among young people than among the general population.

The poverty statistics come on top of unemployment statistics showing a record unemployment rate in the EU, with some 23 million people out of work.

SIPTU stops short of calling for rejection

SIPTU has described the EU Permanent Austerity Treaty as the worst possible response to the economic crisis. In a grim warning the general president, Jack O'Connor, claimed it amounted to a contraction in the face of the "most serious recession since the 1930s."

The treaty's twin-pronged approach of cutting public spending and raising taxes, he predicted, would have a far-reaching effect on people's lives. "It is hard to imagine a worse response to the challenge of recession and stagnation. It's not about stimulating job creation through investment: it's actually the reverse."

O'Connor claimed that EU leaders' talk of "restructuring" was code for the most savage assault on gains made by working people since the Second World War. "It's about reducing pension provision, cutting public services, eroding people's rights at work, and driving down the cost of labour."

Trade unions are organising a wave of protests throughout Europe over the new Permanent Austerity Treaty later this month. The day of action on 28 February will publicise the "anti-social and anti-democratic" aspects of the treaty—part of a series of centrally driven austerity agreements endorsed by EU leaders.

New budget rules up for agreement

EU Observer reports that EU finance ministers are to sign a first agreement on laws that would strongly increase the power of the EU to instruct euro-zone countries on how to spend their national budgets.

Applying to the seventeen members of the single currency only, the two laws require that all national budgets be presented to the Commission for "assessment" at the same time—by 15 October at the latest, according to a draft of the agreement.

The Commission would have the power to ask for a revision of the budget if it considered it likely to lead to a breach of the rules underpinning the euro, which bind member-states to keeping minimal budget deficits.

The seventeen would be required to establish independent bodies and to base their national budgets on independent forecasts—a move designed to depoliticise the process of drawing up the budget in member-states by subjecting it to technocratic eyes. Countries already breaching the budget deficit rules will have to issue regular reports to Brussels and agree a "partnership programme" on how to get back on the right fiscal track.

Those either experiencing or at risk of "severe" difficulties with their finances, or those already in a bail-out scheme, will be subject to far more invasive monitoring. Essentially they would lose the authority for any kind of discretionary spending.

The draft rules would entitle the Commission to grill them on the "content and direction" of fiscal policy, while Brussels would be entitled to see sensitive information, such as information on the financial health of individual banks. Bailed-out euro members would remain under this hyper-surveillance regime until they have paid back at least three-quarters of the money lent to them.

Much of the draft, proposed by the Commission last November, is to be approved by finance ministers, but a clause that would have essentially forced a country to undergo a bail-out has been removed, said a contact close to the negotiations.

The laws come on top of six other budgetary surveillance laws applying to all twenty-seven member-states that came into force in December. They form part of the EU's attempt to make sure the present sovereign debt crisis will never happen again, although critics say the laws infringe on national democracy.

Following the ministers' green light the draft will go to the EU Parliament, with real negotiations between the two sides expected to come in April, after the proposal has made its way through committee.

One of the sticky issues will be how much these laws should encompass what is in the fiscal discipline treaty, an intergovernmental document covering much of the same area, due to be signed by EU leaders in March. If the scope of these laws is too wide it would raise the awkward question—already to be heard *sotto voce* in Brussels—about the point of having the fiscal treaty at all.