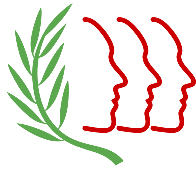

PEOPLE'S NEWS

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The Austerity Treaty

One aspect of the voting pattern in the referendum on the Fiscal Compact Treaty on 31 May last that was strangely remarked upon by, among others, the *Financial Times* and the *Economist* was what the *Financial Times* called the "class divide" that it revealed.

Five constituencies voted No, three of them Dublin working-class constituencies—Dublin North-West, Dublin South-West, and Dublin South-Central—and the two Donegal constituencies. Academic gurus were cited as finding a growing "left-right" divide in Irish politics, caused by austerity.

Four major unions—UNITE, the TEEU, Mandate, and the CPSU—campaigned for a No vote, on the grounds that the Fiscal Compact regime would not create jobs and is in effect anti-worker.

The referendum clearly revealed an understandable measure of alienation among a section of the working class at the price that it is being forced to pay by the present economic crisis.

But that alienation was not a sufficient basis on which to mobilise a No majority in the referendum, much less to build a politics that can get the country out of the crisis.

The Yes campaign was based on the usual combination of patronage and blather but also skilfully used the fear that a No vote would cut the country off from access to economic recovery. A No vote would mean the country being barred from the European Stability Mechanism (ESM).

The No campaign emphasised austerity but largely failed to bring home the fact that there were significant issues about the European Stability Mechanism.

There was little understanding that constitutionally the ESM Treaty and the amendment to an existing EU treaty authorising the ESM Treaty require a further referendum in Ireland, and that politically the EU treaty amendment provides Ireland with a veto that is a powerful bargaining card with which to bargain for relief on the private bank debt.

Compliant media failed to tell the people that in fact the ESM was much more complex than what it was being portrayed as, and that in fact "best boy and girl in the class" behaviour can get us nothing but more and more austerity.

Enda Kenny's reflections a couple of days after the referendum are very revealing about how he understands his role as head of the government of what its constitution still describes as a "sovereign, democratic, independent State." He proclaimed that the Yes majority "strengthened Dublin's hand in its negotiations in Europe over introducing measures to boost growth and in dealing with the tens of billions of euros of bank debt that Ireland had assumed during the crisis."

He was probably not even aware of how ironic his statement was. In four years the state will be marking the hundredth anniversary of the 1916 Proclamation, which asserts "the right of the people of Ireland to the ownership of Ireland and to the unfettered control of Irish destinies." The great and the good of the state will be dancing at the crossroads to mark the event.

Having to "negotiate" with others so as to be able to "introduce measures to boost growth" is clearly not the mark of "unfettered control," nor is having to lay out 40 per cent of the state's GDP to bail out banks on the instructions of others an assertion of "the right of the people of Ireland to the ownership of Ireland."

But even more bizarre was the admission made a few days before the referendum by the Fianna Fáil leader Mícheál Martin about the blanket bank guarantee by the Fianna Fáil and Green Party coalition government on 30 September 2008, which shifted the debt of insolvent private banks onto Irish taxpayers: "We did it for the euro . . . We did it to prevent contagion across the euro zone."

As a historian, Mr Martin would be aware of another act by Ireland as a small nation in the interests of a great-power enterprise. The price paid was of a different kind, but in both cases the action was not truly a self-determined one but rather that of a dependent.

On 20 September 1914, a little over a month after the outbreak of the First World War, John Redmond, leader of the Irish Party in the British House of Commons, made his call at Woodenbridge, Co. Wicklow, for Irishmen to fight for the British Empire "wherever the firing-line extends." Many answered his call, and nearly fifty thousand were killed.

"We need more Europe"—Merkel

The German chancellor, Angela Merkel, has said the euro zone was moving inevitably towards a "political union," requiring countries to cede more sovereignty and leading to more of a multi-speed Europe, with non-euro states in the slow lane. "We need more Europe, we need not only a monetary union, but we also need a so-called fiscal union, in other words more joint budget policy," according to Merkel.

She emphasised that a political union was also necessary. "And we need most of all a political union—that means we need to gradually give competencies to Europe and give Europe control," she said. "Whoever is in a currency union will have to move closer together. We have to be open to make it possible for everyone to participate. But we cannot stand still because some do not want to go with us," she said.

Most EU officials see the process of integration taking five to ten years at best, much longer than the view of the markets. According to the president of the European Council, Herman van Rompuy, the aim is to have detailed proposals in October.

Merkel's push for greater EU integration also underlined a growing rift with our major trading partner, Britain, which said that it would not take any part in a euro-zone banking union as envisaged by the ECB and the Commission. The chancellor of the exchequer (finance minister), George Osborne, told BBC Radio: "There is no way that Britain is going to be part of any euro-zone banking union."

ECB calls for "further sharing of sovereignty"

EU Observer reports that a member of the board of the European Central Bank, Jörg Asmussen, has said that euro-zone states need to give up more sovereignty in order to fix the construction flaws of the euro, with the bail-out fund possibly turning into a budget authority further down the road.

"We have construction mistakes of Economic and Monetary Union, and it is time to correct them. It is clear that the core of the current debate has a name: further sharing of sovereignty," he said.

Part of the vision—which the ECB is shaping in a report drafted by Herman van Rompuy—is a cap on how much debt countries can issue, intervention in national budgets, and fiscal corrections imposed if a country deviates from the deficit and debt limits imposed in the euro zone. A common budgetary authority could also be formed, Asmussen said, with the forthcoming ESM a "starting-point."

"The ESM is a fiscal authority by definition, because it deals with taxpayers' money," he explained, adding that it would have to be put under the scrutiny of the European Parliament—or a subdivision of it, pooling members from euro-zone countries only. The ESM is yet to be set up, pending a ruling of the Constitutional Court in Germany, due on 12 September, and in Ireland the outcome of Thomas Pringle's appeal to the Supreme Court.

Under the existing rules the Parliament has no say over the ESM. Asmussen said this needed to change and that the ECB itself should be under more scrutiny from the EU Parliament, as it will acquire new supervisory powers over banks in the euro area. "Deeper euro-area integration can only be sustainable if there is progress on democratic legitimacy. And it should not be only the ECB continuously emphasising it," he said, adding that already national parliaments could be involved more, so that they "internalise" what it means to be an economic union.

Asked if he thought all present euro members were "willing and able" to go this path of further concessions of sovereignty, he said it was "worth fighting for," and that majorities in those countries needed to be convinced that it is the only way to achieve prosperity.

Asmussen, a former official of the German ministry of finance, also defended the sometimes criticised stance of the ECB when giving advice to politicians on how to change the structure of the euro zone. "It is clearly not beyond our mandate. If we can't answer where we want to be ten years from now, no-one will buy a ten-year bond from us, and that is very much an issue for the ECB," he said

Ordinary Germans also suffer to pay the bankers!

Anti-German feeling is prevalent in Ireland. One hears it vehemently expressed in the most general terms at public meetings dealing with the economic crisis and even in everyday conversation.

A greater amount of caution needs to be exercised concerning such sentiments. The ordinary German citizen is not responsible for the actions of the German banks and their political representatives

in government. Germany's working people are not benefiting from the policies of Merkel and Co., even though many of them might gullibly believe the propaganda of their masters.

Visit Germany's capital city, and poverty is plain to see—not just people begging on the streets and in the underground but also well-dressed individuals of both sexes and all ages rummaging through street bins in search of returnable bottles.

Supermarkets pay 8 cents for certain glass bottles, 25 cents for plastic ones. Germans are indeed resourceful. Many of these bottle-hunters travel the city on bikes, carrying a number of large bags for their glass and plastic booty.

There is an element of surprise when one first becomes aware of the poverty. Unemployment in Germany may be at a relatively low 6.6 per cent, but a recent study carried out by the the German Trade Union Congress, the DGB, found that of those in full-time employment 29 per cent of West Germans and 34 per cent of East Germans receive social welfare assistance to supplement their inadequate wages in order to survive. In total, this costs the German taxpayer €6 billion per year. In other words, many German employers are being heavily subsidised by the state.

There is no minimum wage in Germany, and the average wage in the low-wage sector is €6.50 per hour. Another study carried out by the German Institute for Economic Research (DIW) showed that 22 per cent of the work force is employed in this sector—7.3 million people in total. The report reveals that low wages inevitably means that these workers have to work long hours—an average of 50 hours per week—to earn a basic wage.

The authorities have made eligibility for unemployment benefit or social welfare extremely stringent. The unemployed are put under constant pressure to take on "mini-jobs" and part-time work at extremely low rates of pay or else face the loss of benefits.

As in Ireland, the ruling political class want the ordinary person to pay for the economic crisis. In late June the German parliament, the Bundestag, debated the ESM and Fiscal Pact Treaties in the one session. Only Die Linke (Left Party) opposed both treaties. The Green Party and the Social Democrats supported the governing coalition proposal to pass both.

Sahra Wagenknecht of Die Linke spoke against the treaties. She argued: "You are behaving like puppets. The puppet-masters are the bankers, and the result has been treaties in which citizens are short-changed in order to rescue the fortunes of the richest and keep the financial market casino rolling along . . . This is a project for the smashing of employees' rights and a project for the reduction of wages and pensions. It is a project by Deutsche Bank, Goldman Sachs and Morgan Stanley for the plundering of European taxpayers."

EU youth unemployment rises by 50 per cent

and stands at over 30 per cent in Ireland

The unemployment rate among Europe's young people has increased by 50 per cent since the financial crisis began in 2008. According to the European Commission, almost half of young Europeans in work have not got a permanent job, with three out of ten now losing their jobs under the age of twenty-four, although the young make up only a tenth of the labour force.

There are $5\frac{1}{2}$ million 15 to 24-year-olds without a job in the EU, a rate of 22.4 per cent, up from 15 per cent in early 2008. But these totals mask huge national and regional disparities. While half the young people in Spain and Greece are out of work, in Germany, Austria and the Netherlands it is only one in ten. In a further six EU countries, youth unemployment is around 30 per cent. Of those in work, 44 per cent are on temporary contracts.

In October 2011, according to Eurostat, youth unemployment in Ireland stood at 30.2 per cent, well above the EU average and the euro-area average of 21.4 per cent. Ireland also has one of the highest percentages of long-term unemployed (i.e. unemployed people who have been without a job

for more than a year). In the second quarter of 2011 Ireland had the fourth-largest proportion of long-term unemployed in the EU (at 8.3 per cent) after Slovakia (9.1 per cent), Latvia (8.8 per cent), and Spain (8.6 per cent). The EU average was 4 per cent.

Finally, in 2010 Ireland had the highest share in the EU of children and adults (under sixty and excluding students) living in unemployed households (no adult working or only working less than one day a week), at 20 per cent, up by more than 6 per cent since 2008. This is significantly above the EU average of 10 per cent and well above the next-highest, Britain, at just over 13 per cent.

ICTU warns on right to strike in EU

The ICTU has warned that new proposals by the EU Commission on the right of union members to go on strike could lead to the right being undermined throughout the EU, and could be in contravention of ILO conventions. Congress has pointed out that the Commission's proposals—known as the Monti II Regulation—are flawed and will almost certainly have to be rewritten and revised.

The rationale behind these proposals was supposedly to repair the damage done by the Viking and Laval rulings from the EU Court of Justice.

The stated aim was to provide for binding legislation to ensure "economic freedoms" respected fundamental social rights, such as the right to strike. However, the Commission's regulation would undermine the right to strike.

In a view shared by the European Trade Union Confederation, Congress reiterated that neither economic freedoms nor competition rules should have priority over fundamental social rights, pointing out that any regulation should explicitly state that in case of conflict, human and social rights should take precedence.

The EU Court of Justice ruled in the Laval and Viking cases in favour of limiting the right to strike, arguing that the free movement of goods and services is more important. Europe's trade union movement has disagreed with these rulings. Workers need strong instruments of collective action to protect their pay, conditions and jobs and ultimately their dignity. Labour is not a commodity.

The proposed EU regulation, however, is designed to protect the interests of employers. It makes the right to strike and to stop production less effective. The proposal does not recognise a transnational right to strike, and it does not start from EU and international legal standards.

Documents from the Commission show that it never had the intention of correcting the negative consequences of the ECJ rulings. It believes the freedom to provide services and the freedom of establishment represent a higher value than the plight of workers.

The European Federation of Public Service Unions has said that *"tinkering with the right to strike and making it less effective must be the ultimate pipe-dream of European Commissioner Barroso and corporate Europe. It is no coincidence that the Barroso Commission is attacking the right to strike at a time of a massive assault of governments and employers on pay and pensions of public and private sector workers in the EU. It would be far easier to push through their policies if workers and their unions would not stand in the way. We recall that the rights, pay and decent working conditions workers enjoy today have been realised after struggles that involved strikes. Corporate Europe and their political allies never gave anything away out of sheer goodness."*

"Industry experts" and corporate lobbyists have captured "key areas of policy advice"

A report by the Alliance for Lobbying Transparency and Ethics Regulation in the European Union (ALTER-EU) says that two-thirds of all the non-governmental advisory groups under the director-general for Enterprise and Industry are "dominated by big business" interests.

It says that 482 corporate advisers influence important areas of policy, such as international trade, consumer protection, food, and aspects of environmental protection.

Representatives of NGOs account for 8 per cent of advisers and trade unions for 1 per cent, according to the report.

Advisory groups provide specialist advice on policy issues, and their work can form the backbone of new legislation. The EU Parliament has previously criticised the Commission for engaging more with big business than with any other social group through these advisory groups.

Allowing big companies to dominate such groups ensures that the interests of those companies will be given greater priority than the broader public interest.

The Directorate-General for Enterprise and Industry seems to have become the champion of big

business in the Commission. Their dominance in expert groups is providing business with privileged access so as to influence the policy agenda, while other interests do not have a similar voice. As a result, industry lobbyists have captured whole areas of policy-making in the EU, to the detriment of wider society.

■ You can read the report here: www.alter-eu.org/sites/default/files/documents/DGENTR-driving_1.pdf.

As well as an overview, case studies include: security research in the service of the arms lobby; the sub-group on critical raw materials; EU Business Organisations Worldwide—securing privileged access to the Commission; and "CARS 21": protecting the car industry from targets for the reduction of carbon dioxide emissions.

The bosses point the way to a federal EU

Leaders of European business federations have called for agreement on further political integration in the euro zone, saying that the idea of a "United States of Europe is no longer utopia."

The leaders of business federations from Finland, France, Italy, Greece, Luxembourg, Poland and Spain have endorsed a manifesto personally in Brussels that describes five steps they believe are needed to lift Europe from slump. The manifesto was drawn up by the EU employers' group "Business Europe" and is backed by forty-one federations, including IBEC.

The president of the French employers' group, Mouvement des Entreprises de France (MEDEF), Laurence Parisot, also endorsed the idea of a finance minister for Europe. "We need to debate what kind of union, but MEDEF thinks that federalism is no longer a fantasy, and a United States of Europe is no longer utopia. We are in favour of a European Minister of Finance. I think that the time for business as usual is absolutely over. What is required at this stage is not technical solutions to the problem but first a political answer."

The call has been supported by a group of senior MEPs who have announced that an "economic and political union" is the only way of salvaging the single currency.

Leading the demand is Guy Verhofstadt, president of the Alliance of Liberals and Democrats for Europe, who is also a member of the so-called Spinelli Group. He declared: "We must have a federal union or the EU faces disintegration. Only a

fiscal union can solve this crisis."

Speaking at a news conference before the summit, he said: "Thirty years after the 'single act' we now need a 'federal act' to deliver a banking, economic, fiscal and political union. This needs to be done as soon as possible, with binding targets and sanctions."

His demands were endorsed by a member of the German Social Democratic Party, Jo Leinen (also a member of the Spinelli Group), who said: "The impression given is that 'giving' something to Brussels is stripping member-states of their sovereignty.

"But this is not a sovereignty issue. At the heart of the financial crisis lies the absence of European government. A European government must develop, lead and supervise economic and fiscal policy. This is one of our demands."

■ www.spinelligroup.eu/2012/07/06/spinelli-proposals-whats-next/.

"We did it for the euro"

Martin admits that the bank guarantee was to save the euro from "contagion"

"We did it for the euro," the former minister for foreign affairs Mícheál Martin has admitted regarding the infamous blanket bank guarantee of 30 September 2008, which shifted the debt of insolvent private banks onto Irish taxpayers.

Martin told the *Evening Herald* that the Irish taxpayers were left with a €34 billion bill for the worthless Anglo-Irish Bank because the Government felt under pressure to save the EU currency.

"Before any European facilities were established we ended up having to carry the burden on Anglo, and our taxpayers did. We believe that this is unfair, in the sense that there was no European facility at the time, and we did it to prevent contagion across the euro zone.

"We did it for the euro, and I think the euro-zone countries owe Ireland a review of this, either some write-down of that debt or a dramatic restricting that would lessen its impact."

This differs from the reasons given by the then Government for the guarantee: at the time it stated that the guarantee was in the interest of the stability of the Irish economy and in the interest of the Irish taxpayer.

The last word

An interview with Brian Lenihan's former adviser, Alan Ahearne

Yeah, a letter came in on the Friday from Trichet [president of the European Central Bank]. The ECB was getting very hostile about the amount of money it was having to lend to Ireland's banks. The ECB demanded [that] something be done about it, and it mentioned Ireland going into the bail-out. They were keen to get Ireland into the programme . . .

Lenihan rang Trichet that day, and they agreed [that] officials would meet the following day in Brussels. When they met, the ECB put huge pressure on Ireland to go into the programme. Honohan [governor of the Central Bank of Ireland] called him [Lenihan] before he went on [to "Morning Ireland"] to let him know he was going on. He would have come under huge pressure at ECB level to make the bail-out happen, and he called from Brussels or Frankfurt, as he was under great pressure. He was worried about financial stability . . .

[Re "burning" bond-holders] It would have been good, it would have been fair, and a proper outcome if the senior bondholders in Anglo and Nationwide were burnt . . . It would have been fairer and a more just outcome if there had been discounts, but the ECB was steadfast against it . . .

"Fiscal union is the end game"

"EU federal union is the ultimate goal, the end game of all this. Part of the goal of setting up the single currency was establishing a fiscal union". (*Sunday Independent,* 9 October 2011.)

The future of the euro?

The outcome of the June summit of the euro zone was originally spun as a resolution to the euro crisis. Italy and Spain won agreement to allow European institutions to recapitalise banks and purchase sovereign debt directly—an agreement subsequently claimed by the government here as a personal victory by Enda Kenny.

But once the financial markets had a closer look it became clear that little of substance had been achieved, and the borrowing costs of Italy and Spain again approached record levels.

Meanwhile the Spanish government has imposed crushing austerity, breaking its promises to the electorate. And unemployment in the euro zone continues to rise, with youth unemployment reaching 22 per cent.

It is now a fair guess that the euro zone is heading towards break-up or collapse. In the peripheral countries—Greece, Portugal, Ireland, and Spain—there is despair at the ever-deepening recession. In France and Italy there is burgeoning opposition to long-term austerity. In Germany there is frustration at feckless southerners.

Disintegration is likely to advance in 2013, as a global slump is in the offing. The large economies of Europe, including Britain, are entering recession, largely because of austerity policies. The American economy is veering towards negative territory, while China is facing a slump that will force a re-examination of its growth strategy. The international financial system, meanwhile, remains weak and unreformed.

After three years of festering, truly drastic action is now required. Peripheral countries must abandon austerity as part of a Europe-wide programme to raise productivity; financial institutions must be taken into public ownership, and debt written off. But the EU's political rulers, hidebound by neo-liberal economics, seem determined to continue with austerity, privatisation, and liberalisation. The financial markets have sensed it and are preparing for disaster.

The disaster is likely to start in Greece. The country is in the midst of an unprecedented depression, made largely in Brussels. In 2012 output is likely to contract by between 7 and 9 per cent, on top of about 14 per cent in 2008–11. Not surprisingly, the bail-out programme is again missing its targets, as recession has reduced tax revenue.

Yet the EU is insisting that the country should stick with the failed programme through imposing huge cuts in the 2013/14 budget. The aim is to achieve a primary surplus at the earliest date. If the cuts do take place and a global slump does indeed materialise, the Greek economy will contract ruthlessly in 2013, even by 10 per cent. It would be an

economic and social catastrophe, especially as unemployment is already at 23 per cent, including 52 per cent for youth.

The present Greek government seems incapable of dealing with the crisis. They won the June election by playing on middle-class fears about returning to the drachma and losing savings. They also cynically promised to renegotiate the bail-out terms, knowing full well that this was impossible as long as the framework of the bail-out was accepted.

In practice, they rushed to satisfy the EU's demands while liberalising closed professions and selling public assets in the ludicrous hope of boosting growth.

The government is unlikely to survive for long. As depression worsens in the next six months to a year, Greece will again confront the impossibility of sticking with bail-out policies. This time the decision is likely to be final, with profound implications for the elite that took the country into the euro on a wing and a prayer. The elite is now watching in horror as its strategy is falling apart, and seems incapable of devising an alternative path.

But Greece is unlikely to attempt suicide: at some point it will default on its debts and leave the euro. There will then be a genuinely new government, perhaps formed by the young politicians of the left, which will navigate the chaos and guide the rebuilding of economy and society. Once Greece has made its move, the unravelling of the euro will probably start in earnest.

ESM challenged

A High Court judge has ruled that the independent TD Thomas Pringle has raised a legal issue related to the European Stability Mechanism (ESM) Treaty that needs to be determined by the Court of Justice of the European Union.

Thomas Pringle, independent TD for Donegal South-West and a patron of the People's Movement

That issue, Ms Justice Mary Laffoy said, had implications for the effect and operation of the ESM Treaty, which provides for a conditional permanent bail-out fund for distressed euro states. However, she refused to grant Deputy Pringle an injunction restraining the Government from proceeding to ratify the ESM Treaty. The outcome of the reference to the CJEU would bind all euro member-states, not just Ireland, and she would not grant the injunction sought.

Thomas has appealed to the Supreme Court against the refusal of the injunction and the judge's finding in rejecting his claim that the ESM Treaty breaches EU law, EU treaties, or the Constitution of Ireland. As well as rejecting his claims that the treaty breached the EU treaties or EU law, Ms Justice Laffoy dismissed his contention that approval by the Irish people by means of a referendum was required before the decision of the European Council providing for the establishment of an ESM had the force of law in this state.

However, she found that an issue arose concerning the implications of the intentions of members of the ESM to ratify the ESM Treaty now, before the coming into force next January of that decision. While finding that the decision, made on 27 March 2011, was "completely valid" in EU law, the judge said she found it more difficult to determine the implications of the intention to ratify the ESM Treaty now, in circumstances in which the decision will not come into force until 1 January at the earliest.

With regard to Deputy Pringle's case, the principal issue that arose was what effect the failure of one or more states to comply with article 2 of the decision would have on the effect and operability of the ESM. Ms Justice Laffoy said: "I have come to the conclusion that a reference to the CJEU is necessary to address that issue. Under the Irish Constitution, it is the houses of the Oireachtas that have the sole responsibility in raising sovereign debt; this treaty places the ESM at a higher level than our own Constitution in terms of financial government."

Thomas Pringle now moves to a seven-judge Supreme Court appeal against the High Court decision in his challenge on the constitutionality of the ESM.

German court to rule on ESM in September

The German Constitutional Court has said it will not rule on the ESM and on the Austerity Treaty until 12 September, despite calls from EU politicians to speed up the process. The ESM was supposed to have come into force on 9 July. The Irish Government has said that it will not ratify the ESM until Germany does so.

And the court has resisted intense political pressure to deliver a swift ruling on the ratification of the ESM, despite the German minister of finance, Wolfgang Schäuble, warning of delays causing "negative economic consequences." Schäuble appeared in person at the court in Karlsruhe to defend the ESM, saying that Germany would hold less of the joint liability for other member-states' debts under the new system.

The ESM was originally intended to take effect from 1 July and the Austerity Treaty in January 2013, but the court's decision will push that schedule back. The ESM will become operational only when 90 per cent of the fund's capital commitments have been secured. Germany will provide 27 per cent of the total, so the fund cannot be activated without its support.

The euro is a destabilising force in Europe

—says a German government report!

The Advisory Council of the German government, in its latest report on the situation in Europe, comes to a sobering conclusion: in its present form, the euro is a destabilising force in Europe, and the ESM and EFSF have basically no chance of solving the crisis.

Once you leave out all the polite phrases and examine the paper, there is not much solace for Angela Merkel or Wolfgang Schäuble!

"The main exposure of the problem countries to the financial crisis results also from the fact that their total debt is denominated in a currency that they cannot control themselves. This can in principle be regarded as a desired disciplinary effect, but it may also result in a destabilising process, interfering with the rising bond yields and the sustainability of public finances, which in turn leads to higher negative confidence effects on the yield requirements of investors.

"Such a vicious circle, fuelled by concern over the possible expulsion or exit of a country from the monetary union, was temporarily halted at the end of 2011 because of very extensive liquidity injections by the ECB. In the second quarter of 2012 this effect has waned, so the spreads have risen again."

Such a statement from those experts who advise the German federal government on the central economic policy issues must frighten the German elite, as it means no more and no less that the euro has survived only because the ECB has swept the market with liquidity.

The experts still do not want to return to the Deutschmark, for the same reason that even the

Federation of German Industries (BDI) has identified as a core value of the euro for the German economy: it helps German companies in export markets. "The introduction of a revalued Deutschmark would significantly affect the international competitiveness of German industry, not only in Europe but also in world markets. It should not be overlooked that German companies have in recent years been significantly favoured by the fact that they produce goods in a soft-currency area—unlike, say, accruing costs in yens or Swiss francs."

The president of the BDI, Hans Peter Keitel, in a letter to its member-associations spoke of "political and tangible economic reasons" for the maintenance of the euro.

From the viewpoint of export-oriented German industry, trade has been strengthened by the euro, because barriers such as exchange-rate risks have been eliminated. This is of great importance for Germany. Keitel says that, "just last year, exports to the euro zone increased by 8.6 per cent again, and in 2011 approximately 40 per cent of German exports went to the euro zone . . . About three million jobs in Germany depend on exports to the euro area."

Keitel's thesis is that "the euro is asymmetric: if its value is around the fundamentally correct level, this is good for the German economy." Even with inflation Germany has prospered with the euro: "in fact inflation in Germany from 1999 to 2011 averaged just $1\frac{1}{2}$ per cent a year. By comparison, consumer prices increased with the Deutschmark in the 1970s at an annual average of more than 5 per cent in the 1980s and 1990s by 2.6 per cent per annum"—which particularly endears the euro to inflation-fearing German industrialists.

The experts also carried out a detailed analysis of the ESM construct. This could be a help to the Federal Constitutional Court, which will decide in September on the constitutionality of the ESM, while elsewhere report by the Citi Group brings to light how national parliaments misinterpreted the ESM Treaty. The taxpayer cannot legally obtain preferred creditor status. But, unlike the deputies in the Bundestag and other national parliaments, the markets have seen through the ruse, as volatility continues.

It is noteworthy that German government experts are discussing very seriously a return to the mark. Even if they reject the idea in the end, the fact that the option is discussed publicly by senior advisers to the government must be a considerable embarrassment for the Eurocrats, and a headache for Angela Merkel.

Iceland could withdraw its application

Iceland could withdraw its application for membership of the EU early next year after last month's presidential elections, in which both the current president, Ólafur Ragnar Grímsson, and the runner-up, Thóra Arnórsdóttir—who won a combined share of 85 per cent of the vote—campaigned against it. Thóra Arnórsdóttir is reported as asking, "Who would rent a room in a burning hotel?"

Spaniards and Portuguese look to former colonies for work

Many young Spanish and Portuguese citizens are leaving their homeland in search of better opportunities abroad, with former colonies among the more popular destinations.

Last year 4,182 Spaniards moved to Ecuador and about 3,000 to Venezuela and Argentina, countries that have seen their economic growth rise to near "recession-proof" levels. Portugal has seen a similar trend, with an estimated 120,000 nationals moving abroad in 2011. The most significant flow has been to Brazil—partly because of its booming economic performance. Brazil's National Secretariat of Justice said the number of applications for permanent residence made by Portuguese citizens rose from 276,703 to 328,856 between December 2010 and June 2011. This is is separate from the many temporary work, study and research visas that were issued.

Statistics for 2010 revealed that 91,900 Portuguese nationals were living in Angola, where oil has created a boom economy. Promising levels of growth in Portugal's largest former colony in Africa have seen it described as an "oasis" of opportunity for Portugal's unemployed.