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EU policies producing more poverty and unemployment

A new study reveals disturbing levels of poverty and deprivation in the five EU countries worst hit by the economic crisis: Greece, Ireland, Italy, Portugal, and Spain.

It also finds that giving priority to economic policies at the expense of social policies during the present crisis is having a devastating effect on people, especially in the five countries worst affected.

The study was carried out by Social Justice Ireland for Caritas Europa. The report, entitled *The Impact of the European Crisis,* finds that the failure of the EU and its member-states to provide concrete support on the scale required to assist those experiencing difficulties, to protect essential public services and to create employment is likely only to prolong the crisis.

The report is the first to provide a detailed examination of the effect that current policies are having on people in the five countries worst affected by the economic crisis. It presents a picture of a Europe in which social risks are increasing, social systems are being tested, and individuals and families are under stress.

The report strongly challenges official attempts to suggest that the worst of the crisis is over. It shows the extremely negative effect of austerity policies on the lives of vulnerable people, and reveals that many others are being driven into poverty for the first time.

Unemployment reached a record figure of 25.7 million people, or 10½ per cent of the labour force, in September 2012. This is an increase of 2.1 million within one year. The number of long-term unemployed reached 10.7 million in 2012—roughly twice the figure from mid-2008. This means that two out of five unemployed people in the EU are likely to remain unemployed for more than a year, a trend likely to continue.

The report provides clear evidence that almost a whole generation of young people is experiencing unemployment (an EU average of 23 per cent but more than 50 per cent in Greece and Spain) and a lack of economic security. Youth unemployment has been recognised by the European Commission as "the most urgent social matter of our times," which it acknowledges may deteriorate further, leading to more poverty, social exclusion, and other social challenges.

The report reveals the way in which child poverty has become an issue of concern in many member-states. Children were at a greater risk of poverty or social exclusion than the rest of the population in 21 of the 25 countries, with a 27 per cent risk of poverty in 2010. The evidence suggests that the level of child poverty is likely to continue to increase.

The rate of poverty for those who are working is a problem throughout Europe, with the average rate increasing slightly between 2010 and 2011. For the least well educated (with lower secondary education or less) the rate has increased more, from 16.3 per cent in 2010 to 18.1 per cent in 2011 (with an EU average in 2011 of 8.7 per cent).

■ The full text of the report is available here.

New reality?

In a recent address to EU heads of mission in Dublin, the general secretary of the ICTU, David Begg, said he has come to realise that European economic and monetary union is constructed in such a way that "the entire burden of cost adjustment" falls on workers if there is macro-shock.

"Such a callous disregard for distributional justice—which we have witnessed in this country over the last five years—is a fatal flaw," he said. "At least the IMF officials are willing to admit they have been wrong, but the EU officials are total ideologues."

He concluded that "re-imaging social democracy is for me the real challenge," and he pointed to the demise of any semblance of "Social Europe," saying that "the really sad thing is that Europe is the most advanced political project ever undertaken—and the only one to embody a social welfare dimension."

■ The full speech is available here.

The latest Trojan horse from the EU

An image of the Trojan horse would be a very appropriate symbol for a newly established EU body that is to operate under the benign-sounding name "European Endowment for Democracy."

Its aim is "to foster and encourage deep and sustainable democracy" in "transition countries" and in societies struggling for democratisation, with "initial, although not exclusive focus, on the European Neighbourhood." When the rhetoric is stripped away, this means supporting certain forces and opposing others.

Most of the running for the new body has been made by the Polish government, whose brainchild it was. The proposal for the establishment of the EED was made by the Polish minister of foreign affairs, Radosław Sikorski, in February 2011 during the Polish presidency of the EU Council.

As Jerzy Pomianowski, a Polish diplomat and first executive director of the EED, recently explained: "Sikorski proposed the idea just after the collapse of the democratic process in Belarus in December 2010. And then the Arab Spring happened. The timing was just so important. We could see the need, the urgency for something like the EED."

The "collapse of the democratic process in Belarus" is a reference to the re-election of the incumbent president, Aleksander Lukashenko, defeating eight other candidates in the election in December 2010. This was despite an EU-US initiative that raised an €87 million fund at a donors' conference to support the opposition and help influence the election. Part of the EU's problem with Lukashenko is his refusal to introduce "market reforms" and to privatise the branches of the economy that remain in state ownership.

Poland has been to the forefront of the campaign against Lukashenko and in support of the pro-western opposition in a country that the EU considers part of its "neighbourhood." Though EU diplomats are prepared to acknowledge, off the record, that Lukashenko has the support of a clear majority of the population, the campaign for his overthrow has continued.

The model for the EED is the US National Endowment for Democracy. Many of the younger Polish political elite have been formed politically under the influence of the NED. From 1980 to 1989 Pomianowski was a member of the board of the "Independent Students' Association," and he was joint founder and head of the Student Publishing House SOWA-NZS. These bodies were supported by the NED.

Pomianowski has explained the influence. "The name is not accidental. We saw what the US National Endowment for Democracy did in Central Europe before and after the fall of communism. The example of the NED, the degree of flexibility and its record … was absolutely positive and is a success. Because the NED has a strong record, it was often asked if Europe needed a similar institution. It does."

During a visit to the United States at the end of last year Pomianowski further explained: "Poland initiated the European Endowment for Democracy in response to freedom movements in the Union's neighbours." He insisted to an audience brought together by the German neo-liberal Bertelsmann Foundation: "We shall continue to support the EED … Our history has taught us that help based on the solidarity of the international community is very important …"

It is not reported whether anyone in the audience made the obvious point that the "international community" represented by the Bertlelsmann Foundation might only be the community of international capital, and that one person's "solidarity" might be a cover for attacks on the principle of respect for state sovereignty.

The record of the NED doesn't seem to worry people like Jerzy Pomianowski. The NED was established by the Reagan government after the CIA's role in covertly financing efforts to overthrow foreign governments was brought to light, leading to the discrediting of the parties, movements, journals, books, newspapers and individuals that received CIA funds.

This undermined the efficacy of those agents as tools of US foreign policy. The NED took over the financing of foreign-overthrow movements but overtly and under the heading of "democracy promotion"—as a *New York Times* reporter, John Broder, explained in 1997, "to do in the open what the Central Intelligence Agency has done surreptitiously for decades."

The NED's stance has been summarised as follows: "what links the recipients of NED grants is not their attitude to electoral democracy but their embrace of US policy."

Sixteen states come within the remit of the EU's "European Neighbourhood Policy": Algeria, Armenia, Azerbaijan, Belarus, Egypt, Georgia, Israel, Jordan, Lebanon, Libya, Moldova, Morocco, the Occupied Palestinian Territories, Syria, Tunisia, and Ukraine. Catherine Ashton, the EU's head of foreign policy, has said that the EED will be targeting Ukraine, Moldova, Georgia and Morocco in addition to Belarus.

Significantly, the Occupied Palestinian Territories have no freedom movement or democratic movement considered worthy of EU support: EU thinking prefers to characterise the struggle of the Palestinian people for selfdetermination and national democracy as a problem of "conflict resolution" with Israel.

The fact that Germany has been active in the "democracy-promotion" field for a long time, with its party-affiliated foundations and their foreign operations, led at first to friction in the EED. German foundations sensed competition developing; they complained of wasteful parallel structures. Now the word is out that things can be co-ordinated, which can be facilitated by the presence of two German MEPs who hold decisive positions in the organisation's complicated structure. Elmar Brok (CDU) directs the Board of Governors, which embeds the EU member-countries and European Parliament, and Alexander Lambsdorff (FDP) has been delegated to the seven-member Executive Committee.

But German party-affiliated foundations involved in countries such as Belarus and Ukraine still see the new body as a competitor. The fact that some of these foundations have a history of support for coups in such countries as Thailand, Honduras and Paraguay gives a flavour of the sort of murky world that the EED is perhaps entering into.

Concerns have been raised in the European Parliament that the new body will not be sufficiently accountable or controllable. The EU Commission tended to observe the process from afar, having reservations about the possibility of the EED duplicating existing bodies, such as the "European Instrument for Democracy and Human Rights," which had a budget €1.104 billion for the period 2007–2013. In addition to the Polish government, it was principally the European External Action Service that pressed for the establishment of the EED.

Institutionally, the endowment will, according to its statutes, be a formally autonomous private foundation established under Belgian law and will have its legal home in Brussels. A seven-member Executive Committee will look after the EED's day-to-day business and take decisions on the allocation of resources. It will be chaired by the permanent executive director, Jerzy Pomianowski, who will be assisted by a small secretariat.

Funds are to be allocated, according to the statutes, outside the official EU budget. Voluntary contributions from the member-states are to form the essential basis for the EED's various projects, though the money will not be earmarked. The endowment may also canvas for private donations and for EU funding. One of the purposes of the visits of the executive director to the United States was to lobby for funding from private sources.

For its organisational structure the EU Commission has said it will provide €6 million in financial support over four years. Sweden and Poland have pledged a further €10 million "for projects."

The doctrine that states are sovereign inside their borders and that those borders should be respected was an achievement of the victory of democracy over fascism in the Second World War. The principle of respect for national sovereignty became the cornerstone of the international order. It was reflected in the postwar Nürnberg trials, where Germany's primary crime in international law was judged to have been its waging of aggressive war. This doctrine was embodied in the Charter of the United Nations.

By contrast, we now seem to have entered a period that is less sympathetic to the principle of national sovereignty. The removal of the national sovereignty of some countries takes place under a UN-backed world order that is supported by the EU and the United States.

In this situation the old categories of colonialism and imperialism are acquiring a new lease of life. The existing and aspiring superpowers claim a new "civilising" mission, asserting their entitlement to interfere in the internal affairs of smaller countries in the name of a benign supranationalism, "military humanism," and concern for human rights.

In his book *Age of Empire* the historian Eric Hobsbawm observed that "the age of democracy turned into an era of public political hypocrisy, or rather duplicity, where those who held power only said what they really meant in the obscurity of the corridors of power. Thus was born an enormous gap between public discourse and political reality"—a disparity all too evident in the EED's public pronouncements.

The way to go!

On 6 March the German government issued its report on the economic state of the country. But opposition groups, both inside and outside the Bundestag, have claimed that the 550-page report was doctored to hide the growing differentials between rich and poor.

Conveniently dropped were sentences such as "Private wealth in Germany is very unevenly distributed." Deleted also were statistics like the fact that in 2010, 4 million people in Germany were paid a gross hourly rate of less than €7.

Also, the government prefers in this election year not to publicise another fact: one person in five in Germany is affected by poverty. Instead the governing coalition pointed to the drop in unemployment, but it ignored the significant growth in the number of those in employment who are unable to survive on their wages and need the assistance of social welfare.

However, the government couldn't hide everything as the gap between the wealthy and the poor has continued to grow. In 2008 the richest 10 per cent of households had 53 per cent of the total net assets; in 2003 the figure was 49 per cent. Half of all households have a little more than 1 per cent; it was 3 per cent in 2003.

The minister of labour and social affairs, Ursula von der Leyen, described herself as being "very satisfied" with the report. So it is quite simple: the German government wants to impoverish not only the people of Ireland but also the mass of the people in Germany, to the advantage of their wealthy supporters.

I'm sure that makes us all feel better!

More smoke and mirrors

Officials in Israel are becoming increasingly frustrated with what they describe as the EU's "pro-Palestinian tilt."

Even with Israel's president, Shimon Peres, holding talks with senior EU officials, trying to enhance Israel's position in Europe, one senior Israeli official said: "There is a real distance between us and Brussels." One official said that while the EU continually talks about labelling products from the settlements, or issues statements about Palestinian hunger-strikers in Israeli jails, it is unable to call Hezbollah a terrorist organisation. "When it comes to Israel they are very vocal," the official said, but "when it comes to the Palestinians they are very timid."

One would never guess that Israeli bodies are eligible to apply to numerous EU project-based programmes, or that the European Union is Israel's biggest trading partner. A third of Israel's exports go to EU countries, while almost 40 per cent of its imports come from them.

Under the Euro-Mediterranean Agreement the EU and Israel have free trade in industrial products. The two sides have granted each other significant trade concessions for certain agricultural products, in the form of the reduction or elimination of tariffs, either within quotas or for unlimited quantities.

An echo from the past!

The Netherlands seems likely to miss its EU-imposed target of a budget deficit of no more than 3 per cent of GDP after its economy shrank by 1 per cent in 2012. In a move reminiscent of that of France and Germany on the Maastricht criteria, the Netherlands, one of the wealthiest countries in Europe, strongly supported the deficit limit when it was proposed during summits on the euro-zone crisis. Of course France and Germany went on to break the Maastricht criteria and were not sanctioned, while Ireland met the 3 per cent target, together with Denmark (which exercised an opt-out) and Luxembourg.

The Netherlands is now predicted to be one of the worst economic performers in 2013, with the minister of finance saying, "We are going through hard times." Although the EU commissioner for economic and monetary affairs, Olli Rehn, can impose penalties on countries that fail to meet the target, an EU forecast published last week attributed the problem to the temporary nationalisation of the Dutch bank and insurance company SNS Reaal. Rehn also said that "the Netherlands has taken effective action" on its long-term structural budget deficit—echoes from the past!

Meanwhile a Dutch citizens' campaign to have a referendum on any new transfer of powers to the EU is on the verge of reaching the 40,000 signatures necessary to force a debate in the parliament on the issue. A new opinion poll shows that 64 per cent of respondents support the objective of the campaign. One of the organisers said the campaigners are now aiming to get 300,000 signatures, which is the threshold for a non-binding referendum to be held.

Irish troops in Mali

Andy Storey writes:

The government proposes to send eight Irish soldiers to Mali as part of a French-led EU intervention force in that country. According to the *Irish Times* opinion writer Fintan O'Toole, this is all to the good. In a column headed "This time it really is a war to save civilisation," he writes that while the West has often got it wrong in the past, "Western powers … happen to be on the right side in a war in which the cultural stakes are very high," citing alleged rebel attacks on art and music.

Nobody much will argue that these attacks are good things, or that there is not a pressing humanitarian crisis in Mali; the question is whether Western military intervention is an appropriate response to either.

For others, this latest Irish army deployment is seen as particularly positive because it will, for the first time, be carried out in conjunction with British forces (the Royal Irish Regiment). The minister for defence, Alan Shatter, has commented as follows: "I believe that the provision of a joint UK-Ireland contingent is another step in the normalisation of relations between our two countries … In that sense it is a historic step and provides a tangible manifestation of the very positive relationship and the mutual respect that now exists between our countries."

So what will this manifestation of mutual respect be doing, exactly? It will be providing military training and advice to an army that Human Rights Watch reports to be guilty of torture and summary executions, with the minority Tuareg group particularly targeted for abuses. This is the military that Irish and other European soldiers will be bolstering, though defenders of the deployment claim they will be training them in human rights (as well as map-reading and marksmanship).

What could possibly go wrong? After all, the leader of the 2012 coup that sparked the most recent crisis had been trained in the United States, and look how well that worked out. (A Malian newspaper editor was recently arrested for criticising the salary of said coup leader.) For once, the former French president Nicolas Sarkozy had it right when he said that the French intervention was "supporting putschists." When the fluff of "human rights training" is brushed aside, the fact will remain that Ireland and its EU partners are enhancing the capacity of an army that is predisposed to carrying out coups, torture, and executions.

If it is not then a war for civilisation, what is it? In part, of course, it is a war for resources. The Sahel region is rich in oil, gas, gold, silver, bauxite, manganese, copper, phosphate, diamonds, and, perhaps most crucially, uranium. There has been little exploitation of these resources in Mali (with the exception of gold-mining), but rights for exploration and future development have been granted to a number of foreign companies.

One such company is Areva of France, which wants to extract uranium in the north of the country. For the last forty years, neighbouring Niger has supplied 40 per cent of the uranium needs of France's nuclear power plants (at prices below a third of the world market rate), but Niger's reserves are nearing exhaustion.

The German government is sending more than three hundred soldiers to Mali and is contributing substantially towards the costs of the mission. Access to resources is also a vital consideration here. A leading article in the German business paper *Handelsblatt* earlier this year reported that the government saw "control of raw materials [as a] strategic issue for foreign policy" and that "additional security and military instruments are required" in the pursuit of such resources.

This may not entirely explain the current German action vis-à-vis Mali, but it is likely to be a more prominent consideration than the preservation of the world's musical heritage.

The US government (another well-known defender of world music) is also chipping in, with airlift, refuelling and intelligence support to the French-led forces. As well as having its own interests in obtaining access to vital natural resources, the United States (which has just opened a drone base in Niger) is also increasingly concerned with countering Chinese influence in Africa. At his confirmation hearing the new US secretary of state, John Kerry, said: "China is all over Africa—I mean, *all over* Africa—and we got to get in."

The US government suspended direct military aid to Mali after the 2012 coup but will resume it after planned elections "restore democracy" in July of this year. But what is it that will be restored? The façade of democracy in Mali concealed deep-rooted inequality and exclusion, especially directed against the northern Tuareg. As Joe Penney puts it, "all international actors promote a return to constitutional democracy in Mali. But how can something be restored that never truly existed in the first place? Surely the international community cannot support a return to the rotten status quo that brought about political collapse in the first place." Except that it can, and it will.

Olivier Roy makes a similar point: "Rather than restoring a viable state for all Malians, the French intervention risks exacerbating ethnic tensions by handing power back to a particular faction that is unwilling to share it."

Ireland in recent years has become ever more deeply implicated in the overseas military actions of the leading Western powers. This state has facilitated the flow of US troops and their equipment through Shannon Airport to commit mass murder in Iraq and Afghanistan. (The chairperson of the Shannon Airport Authority, Rose Hynes, told an Oireachtas committee in January that "military traffic has been in the DNA of Shannon for many years. It is something that is important, it's lucrative, and we are certainly going to go after it as much as possible.")

The government has sent Irish troops to Afghanistan itself to support the bloody NATO-US occupation of that country and help prop up its corrupt puppet regime. It has turned a blind eye to "extraordinary rendition," also carried out through the good offices of Shannon Airport. And the Irish government, before the current intervention in Mali, has already helped the French government back a client regime in Africa, by sending troops to Chad in 2008 to lend *de facto* support to the dictator Idriss Déby (whose own soldiers now fight alongside the French in Mali).

Small wonder that the secretary-general of NATO, during a visit to Ireland last month, could say that while Ireland was not a member of the alliance it was a "very important partner."

These developments are to be regretted but have long since ceased to be surprising. What stands out about the Mali mission is that it is being justified on the grounds that it is preserving world culture from barbarians, and that it is a means of cementing reconciliation with our old colonial power. By standing shoulder to shoulder with the Royal Irish Regiment in the African desert we will show how "mature" we now are as a people, and we will together be fighting a war for civilisation.

Yeah, right.

New anti-euro party in Germany

A new German anti-euro party, Alternative for Germany, is due to be launched next month. The party argues that Germany should no longer guarantee the debts of other states, that the single currency should be abandoned, with all states free to leave the euro and enter into alternative currency associations, and pledging to offer a referendum on any further transfers of sovereignty to the EU.

Despite widespread and continued public scepticism in Germany about the euro-zone bail-outs (63 per cent are against a bail-out for Cyprus, for example, and some opinion polls show that about two-thirds of Germans think they would be better off with the Deutschmark), there is no political party that is openly sceptical of the euro itself, unlike other euro-zone creditor-states, such as Austria, the Netherlands, and Finland. The new formation will clearly try to fill that vacuum.

The group specifies that it will campaign for a return to "national currencies or smaller currency associations. Let's put an end to this euro!" The message on the front page of its web site states: "The Federal Republic of Germany is in the deepest crisis in its history. The introduction of the euro was a fatal mistake that is threatening our prosperity. The old parties are grizzled and worn out. They are stubbornly refusing to admit their mistake and correct it."

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To make it into the Bundestag, parties need to get more than 5 per cent of the votes. Perhaps the 2014 European Parliament elections—where the 5 per cent threshold doesn't apply, and voters feel less constrained about venting their frustrations with the EU—can be the party's platform; but even that will be tough.

Germany's mainstream parties remain solidly pro-euro, despite grumbling over bail-outs for countries such as Greece. But an opinion poll conducted last week for the weekly magazine *Focus* showed that 26 per cent of Germans would consider backing a party that wanted to take Germany out of the euro, and as many as 40 per cent in the 40–49 age group would do so.

Previous euro-critical parties in Germany have made little headway. One of them, the Free Voters, has won seats in Bavaria's regional assembly but has yet to win support at the national level.

The euro-zone crisis has featured less on the front pages of German newspapers since the European Central Bank vowed last summer to buy up unlimited quantities of sovereign debt if necessary—in return for strictly binding austerity commitments—to save the common currency.

But many Germans, including some at the Bundesbank, are deeply uncomfortable with this pledge; and last month's inconclusive election in Italy, where anti-austerity parties performed well, has reminded Germans that the crisis is far from over.

Mr Rehn is displeased!

Ollie Rehn is upset at economists who argue that deficit-cutting policies prescribed by the EU are driving southern European countries into a downward spiral of recession and debt.

Rehn was responding to an interview given by the Nobel-winning economist Paul Krugman and others, who argue that the EU should encourage debt-burdened countries to stimulate economic growth rather than cut spending further.

The controversy turned personal last month when the European Commission published forecasts showing that the recession in southern European countries applying tough austerity policies would be deeper and last longer than previously projected.

Krugman accused the the commissioner of a "Rehn of Terror" for arguing that EU countries' budget consolidation policies had restored the confidence of the markets. "Krugman put words in my mouth that would be termed in the Finnish Parliament a modified truth," according to Rehn, using a parliamentary euphemism for a lie.

Krugman said that only the European Central Bank's pledge to buy government bonds to preserve the euro had calmed the markets, and he called Rehn "the face of denialism when it comes to the effects of austerity." He later accused Rehn of propagating "cockroach ideas," which kept coming back however hard people tried to flush them away.

Rehn said Krugman and other critics had distorted the findings of a study published last year on so-called "fiscal multipliers" and the consequences of austerity policies to attack European policies. In the paper, IMF economists acknowledged that they may have underestimated the effect of government spending cuts in dampening growth.

"It is essential that the IMF paper does not give rise to the conclusion that economic adjustment would not be desirable," Rehn said, adding that the EU and the IMF agree on the importance of structural economic reforms to boost growth.

But then, perhaps on this occasion the IMF has it right and the EU-ECB has it wrong. Irish people suffering under their imposed austerity would surely agree?

Corruption in the EU?

Up to a quarter of the value of public-procurement contracts may be lost to corruption, according to the EU commissioner for home affairs, Cecilia Malmström, speaking at an anti-corruption seminar in Sweden. That's a staggering €120 billion a year.

Public-procurement contracts in the EU have an estimated worth of approximately 15 per cent of the EU's total GDP. "Deep-rooted corruption is a part of reality in many EU countries," Malmström said.

Something to look forward to

Diplomats in the EU Council's Working Party on General Affairs have agreed to move the elections for the European Parliament from between 5 and 8 June 2014 to a day between 22 and 25 May instead, in order to increase the turn-out. The decision is to be rubberstamped by EU ambassadors and completed by EU ministers and by MEPs shortly afterwards. Whit Sunday falls on 8 June next year, and many people might be away on holiday that weekend and not bother to vote.

The turn-out has become an embarrassment for the EU in recent years. The average reached a peak of 62 per cent in the first election, in 1979, but fell in every vote since then, to hit 43 per cent in the last one, in 2009.

Ireland came in above average, at 59 per cent, while the turn-out in the Dublin electoral area was 51 per cent. Voters in countries such as Lithuania (21 per cent) and Poland (25 per cent) showed a lot less interest; and it will be interesting to see if Ireland's enchantment with the EU can be maintained.

Forget about bankers' bonuses for a moment—they're only a diversion

It's a good idea to cap bankers' bonuses, because it's crazy that there can be so much money floating around in one sector of business that people can be rewarded with bonuses of millions of euros.

But how is it that these enormous amounts are floating around in that one sector? These sums really are enormous. In 2011 the European banking industry held assets of €45 trillion, which is roughly 350 per cent of the combined GDP of EU member-states. For the American banking industry it was about 80 per cent of GDP.

There's something wrong when, during the last decade, the European financial industry grew in size by more than 85 per cent; meanwhile the rest of the European economy grew on average by 1.3 per cent. Banks managed to grab a sizeable chunk of society's combined fortune without giving much back in products or services.

Capping bankers' bonuses will hardly rein them in. The bankers will no doubt find ways around bans on high bonuses. So maybe we could forget about the bonuses for a bit and concentrate our minds on the importance of clawing back some control over the banking industry.

The first opportunity to do this is essentially lost already. In fact the very EU directive of which capping bonuses was a small part tackled the important subject of how much capital the banks should be made to hold in reserve, so that next time they mess up they can cough up rescue money themselves, instead of asking for it from taxpayers.

This directive, agreed by the Council of European Finance Ministers, is a watered-down version of the Basel III international rules, which earned the European Union open criticism from the Basel Committee on Banking Supervision for being too soft on banks. The international version was in itself watered down—so much so that bank shares reached a record on stock markets when the rules became known.

And now another chance is about to be missed, as the EU Commission is reportedly being swayed by EU governments not to propose a proper separation of banking activities. As the Liikanen Report of October 2012 rightly pointed out, as long as banks are allowed to use our savings for speculation we will have a hard time avoiding having to bail them out when they crash. Liikanen suggested that banks should separate activities so that securities trading was kept apart, risking only the banks' own funds when they felt like taking risks.

So the EU-ECB nexus wins again, and we will continue to be stuck in a system where banks profit in good times and hand over the bill to the taxpayer in bad times. Essentially, nothing has changed. So surely it is time for fundamental system change, with control of the banks in the interests of society becoming the norm? But don't expect the EU to deliver!

The EU, and the euro zone in particular, has consistently argued for and supported bank bail-outs and refused to countenance imposing losses on bank creditors, instead shifting the burden to taxpayers. For all the talk of needing bank bonuses to limit risk-taking and moral hazard in banks, the EU has supported and approved €1.6 trillion in state aid to banks over the course of the financial crisis.

Trying to limit moral hazard by tackling excessive bank bonuses is all well and good, but it's a drop in the ocean when it remains clear that states and central banks will continue to bail out banks at any cost.

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