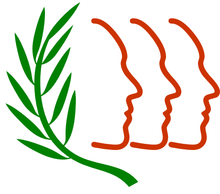

PEOPLE'S NEWS

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Six-pack "excessive imbalance procedure" comes into play

Spain and Slovenia have been given a stark warning by their euro-zone partners to reform their economies rapidly or risk financial crisis.

In a hard-hitting report on the countries facing macro-economic imbalances, such as over-valued housing markets or hefty government debts, the EU Commission identified thirteen member-states, including France, the Nether-lands, and Belgium, that it said should take urgent action to restore the health of their economies.

The large number of countries involved emphasises the growing scale of the euro-zone crisis, which has been exacerbated by a deep recession in many of the single currency's seventeen member-states. The International Monetary Fund has warned of the emergence of a "three-speed" global economy, lumping the euro zone and Japan in the slowest lane among countries that "still have some distance to travel."

The EU Commission's harshest criticism was reserved for Spain and Slovenia, which were warned to agree reform proposals with Brussels next month or face potential sanctions under the EU's new "excessive imbalance procedure." An interest-bearing deposit can be imposed after one failure to comply with the recommended corrective action; after a second failure to comply this interest-bearing deposit can be converted into a fine of up to 0.1 per cent of GDP.

Slovenia, which has been forced to bail out its banking industry, has repeatedly been identified as the next domino to fall in the continuing euro-zone debt crisis since Cyprus received a controversial bail-out.

The Commission warned that the close connection between Slovenia's partly state-owned banks, which made reckless loans during the boom years, and the country's public finances could jeopardise financial stability. "These challenges require urgent action in the areas of the financial sector, state-owned enterprises and microeconomic reforms in order to prevent a situation in which severe imbalances would steeply increase towards unsustainable levels," it said.

Spain also came under the spotlight. The Commission warned that while the immediate threat of a full-blown international bail-out had receded, the heavy debt hangover from Spain's pre-crisis boom continued to present a serious threat.

The EU stepped up the pressure on France over declining exports and rising public debt, saying the country's "public-sector indebtedness represents a vulnerability not only for the country itself but also for the euro area as a whole."

The bond-holders should have borne the burden, says IMF

Prof. Ashoka Mody, one of the architects of Ireland's IMF bail-out, has said that the Troika had other choices apart from austerity and that bond-holders could have been made to bear some of the cost of the "sovereign distress."

Imposing losses on bond-holders was not considered when the bail-out programme was begun, he said, because the view was that failing to honour sovereign debt would create financial instability. He said that not "burning" bond-holders was a mistake, and that the authorities were worried that such a move would result in catastrophic implications.

This comment from a senior official of a body more accustomed to scourging developing and indebted countries, underlines the serious injury inflicted on the people of this country by the last government and perpetuated by the EU shoneens of the present coalition.

But his reading of defaults shows that some could be managed in a way that accommodates the interests of various parties. "The notion that a sovereign default is extremely costly is historically not true," he stated. In some cases an ordered default actually reduces uncertainty, ensures a normally quick return to the markets, and results in relatively minor losses in output.

Surely this information was available to the civil servants in the Department of Finance at the time of the bank bail-out, and hence to the government? More pertinently, this information must be available now to the present government, which is slavishly content to be part of the nexus that is bleeding the people dry. Why don't they simply say, "We won't pay," and let the Troika deal with the problem?

When it comes to even a minor concession, such as granting extra time to repay crisis loans, Germany moves quickly, as it did earlier this week to demand fiscal concessions from Ireland in exchange.

Commenting on present EU policies, Prof. Mody said, "We are seeing a belated recognition of the fact that the constraint imposed only by austerity was untenable. Clearly the experience, if experience was needed, has demonstrated that reliance on austerity is counterproductive."

He said he is concerned that some of the growth projections have proved to be over-optimistic. "Given that Europe is dragging itself down through the austerity process, some of the growth projections are not likely to be met. In that case these debt burdens will remain higher for longer than we now think. Something has to give."

Meanwhile a new Troika report warns of a "potentially challenging" situation ahead for Ireland "if market conditions become more adverse again."

More powers for EU police?

The powers of the EU police agency in the Hague, Europol, are to be expanded under a proposal from the EU Commission. The draft regulation would require member-states to give the agency more data and to enhance their co-operation in cross-border investigations. The agency's data-processing structure would also be re-engineered to produce more conclusive results from data already in its possession.

The regulation also calls for the agency to adopt a "privacy by design" approach, with additional safeguards that would allow Europol "to adapt its IT architecture to future challenges and the needs of the law enforcement authorities in the EU." The Commission wants to turn Europol into a hub

for information-sharing and analysis on serious crimes.

The civil liberties group Statewatch has voiced reservations about how data is used by Europol. It cites a report by the European Parliament from 2011 that noted that Europol held data on a group of thirty-three young women "indicating [that] they were prostitutes and suspects of criminal activity." It turned out that most of them were probably victims of human-trafficking and that "there was not sufficient evidence to hold them in the Europol system as suspect."

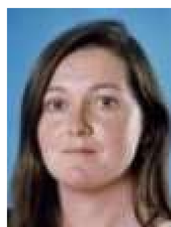
Europol's British representative notified the agency of the issue; but the information about the women was still stored in Europol's database a year later.

ILO questions austerity policy

The rationale of austerity has been challenged by the International Labour Organization, which has called for an "urgent shift" in strategy to tackle the deepening unemployment crisis in Europe.

"While fiscal and competitiveness goals are important, it is crucial not to tackle them through austerity measures and structural reforms that do not address the root causes of the crisis," the ILO said in a snapshot of the EU labour market.

According to the ILO, the employment situation has continued to deteriorate since the introduction of fiscal consolidation policies, with a million people losing their jobs in the EU over the past six months. More than 26 million Europeans are now without a job, the ILO said, and nearly 6 million jobs are needed in the EU to return to the pre-crisis employment situation.



What's a euro anyway?

Dr Shelia Killian of the University of Limerick asks at www.progressive-economy.ie:

Is a euro in a Cypriot bank, locked down by withdrawal limits and capital controls, the same as a euro in an Irish or French bank?

Is a euro sitting in, say, a payroll account in Laiki with a balance of more than €100,000 (and subject to an unspecified "haircut" on Thursday) the same as an "Irish euro"?

They're both euro, both promises to pay the bearer, but honestly, do you have a preference? Of course you do. You'd prefer your money to be outside Cyprus. You'd prefer an Irish euro to a Cypriot one. So they're not the same. Do we even have a single currency now, then? What does the Euro mean?

And how did this happen? At least in part, it happened because all the finance ministers of the Eurozone sat around earlier this month and let the Cypriots leave the room with a proposal to make depositors pay for bank losses, including insured depositors with balances of less than €100,000. They rowed back on that part, but you can't undo the damage of their having taken it seriously to begin with. Imagine a snowed-in family just once agreeing "if we get really hungry, we can eat the rabbit". You can take that back all you like—everybody knows the rabbit's not safe any more. He's not just a pet, he's protein. Depositors aren't just protected customers now, they're also a source of money to save the bank.

We sat back and let that happen—all the Eurozone countries did. We let deposits in Cyprus undergo that subtle shift in meaning. We let their banks be closed for ages, with devastating impact on small firms and families. We let their tax rate be changed. We let them hang out there, hoping it would save us, the rest of this uneasy union. Where does that

leave solidarity, in this European Project under our presidency?

Just now, you'd prefer an Irish euro to a Cypriot one. Remember that feeling, because, as Martin Niemöller might have written were he more interested in money, and living in more peaceful times, "First they came for the Cypriots …"

A lament for "Social Europe"

Confidence in "Social Europe" must be rebuilt, according to the general secretary of the ICTU, David Begg. Speaking to an audience of senior EU diplomats, Begg also drew attention to the wider impact if Britain left the EU, claiming that such a move would be a "critical juncture" for Ireland.

However, it must be plain to all that "Social Europe"—if it ever existed other than as a ploy by Jacques Delors to swing the 1988 British TUC conference and Labour Party behind the EU—is well and truly dead as austerity policies become institutionalised all over the EU. The Austerity Treaty, the six-pack and a number of other "packs" all serve to consolidate austerity and facilitate an accelerating transfer of wealth away from ordinary people, including trade union members.

Begg compared current EU austerity policies to the "needless sacrifice" of the First World War and warned of a "growing disaffection" with the broader European project throughout the European trade union movement. He correctly stated that "expecting workers and social welfare recipients to carry the burden of macro-economic adjustment is unfair and unreasonable."

But now that the most senior trade union leader in the country has identified the nature of EU policies, isn't it time that the Irish trade union movement articulated a sustained critique of the EU project and critically evaluated our continuing relationship with it? Such an evaluation is especially important in the light of what Begg termed a "critical juncture" for Ireland should the British people decide to leave the EU.

Separately, more than 430 social and labour lawyers from around Europe have signed a manifesto urging the EU to respect fundamental social rights. They took the action in response to the austerity policies being backed by EU institutions, which have resulted in systematic attacks on social dialogue and the provisions of labour law.

The manifesto, initiated by the Transnational Trade Union Rights Experts' Network, in particular denounces the actions of the EC-ECB-IMF Troika. It states: "The Troika imposes on specific member states a large and sometimes dramatic deregulation of their labour markets and social protection systems, leading to a weakening of trade unions, increasingly precarious employment relation-ships, insecurity and high unemployment, increased poverty and social unrest."

Greece is cited as an example, where austerity measures imposed by the Troika have triggered the suspension of collective agreements and violations of fundamental social rights, including the right to fair pay, the right to vocational training, and, for workers below eighteen years of age, the right to paid annual leave.

People's Movement represented at Tarragona conference

A delegate of the People's Movement, Manus Bree, recently attended a pan-European workers' conference at Tarragona in Catalunya. The conference was organised under the banner *"End the rule of the Troika and defend the rights of European peoples and workers."*

The conference heard the experiences that workers and their families are facing throughout the European Union since the crisis began in 2008. Delegate after delegate from thirteen countries described in detail the attacks on working conditions and living standards throughout the EU, not only in the peripheral countries. The casualisation of work, the stagnation of wages, the weakening of social supports in the core northern states, mass unemployment, the destruction of the social welfare system and wholesale cuts in wages are pushing citizens to the brink while banks and private companies are bailed out and debts socialised.

The ECB, the EU elite and the IMF were identified as core institutions for imposing strict austerity measures. However, there was criticism of political leaders in peripheral countries that are implementing fiscal adjustment policies despite their consequences and their rejection by citizens.

Many delegates spoke with disappointment of the compliance of significant sections of the labour movement and social-democratic parties. They spoke of the resistance through-out Europe to the Troika's polices, including general strikes and mass demonstrations, in particular the mobilising of young people.

During the conference Manus spoke of the Irish situation, the historical path that led to the crisis, emphasising the mistake in adopting the euro, and the infamous bank guarantee in 2008, leading to the Troika memorandum and the debt burden.

There was agreement by the 160 delegates, including the People's Movements of Sweden and Denmark, that there needs to be more international co-operation between workers and social movements throughout Europe to resist the economic policies that are being imposed on citizens. Unity is the key to reversing the austerity plans and the EU treaties that are being used to facilitate this.

The main commitment that was adopted included a decision to refuse to subordinate the labour movement to the Troika and the EU and to ensure the independence of the labour moment in Europe. A European Liaison Committee with representatives from the conference will be established to liaise with signatories, to strengthen unity, and to defend the rights and guarantees of workers throughout the EU.

"In this way," according to the final declaration of the conference, "in each of our countries but also across the whole of Europe, we are beginning to forge the first links of a genuine free union of sovereign peoples and nations of the whole of Europe, free from any ties to the Troika, to the EU or the IMF, and free to defend in full independence the rights and guarantees of the working peoples."

They're all laughing!

Catherine Ashton, EU High Representative for Foreign Affairs, will be paid a "transitional allowance" of £400,000 until 2017 to do nothing when she leaves her EU job next year after four years' service.

She will be paid £133,500 a year until the end of 2017 as part of her terms of employment, a Commission spokesperson confirmed. She will also be able to pick up a £300-a-day attendance allowance from the House of Lords. The EU payment is a "transitional allowance" and will be paid at a lower rate of tax than the

standard British rates. The extended payment amounts to 55 per cent of her salary.

And retirement at the age of fifty with a pension of €9,000 per month has been approved for EU civil servants. More than 340 will avail of the bonanza this year alone. Giovanni Buttarelli, for example, who occupies the post of "assistant controller of data protection," after only 1 year and 11 months of service (from November 2010) will have acquired a retirement pension of €1,515 per month. His colleague Peter Hustinx has just had his five-year contract renewed; after ten years he will be entitled to nearly 9,000 per month.

Fatty Roger, a clerk with the European Court of Justice, will touch €12,500 per month in retirement, while Pernilla Lindh, a judge with the Court of First Instance, will enjoy €12,900 per month and Ruiz-Jarabo Colomer, lawyer-general, €14,000 per month. Appointed in the mid-1990s, they are ensured a complete career and therefore entitled to obtain the maximum 70 per cent of final salary. They qualify for a full pension following 15½ years of service, whereas for the rest of us it is necessary to work for 40 years—and soon, thanks to the Troika, 42 years.

And worst of all is the fact that they don't make any contributions towards their pensions: that's the responsibility of the taxpayer!

How real is the risk of the euro collapsing?

The euro zone may not be on the point of collapsing, but this does not mean that there is not a very high price to be paid for keeping the euro in being.

The major problem is that the euro-zone economies are not growing. Allowing for population changes, even the very poor growth figures that have been achieved are insufficient to allow average living standards to rise much even in the euro-zone countries that are doing relatively well; in those that are doing badly and are subjected to austerity policies the situation is much worse.

One reason why there is no growth is that all but a handful of EU economies are grossly uncompetitive. They cannot therefore generate enough exports to pay for their imports without their economies being severely depressed to keep their imports in check. Even this way of trying to achieve some equilibrium in foreign payment balances is fraught with problems, however, as such a high proportion of the exports of EU countries go to other EU members.

The result is that the performance of the whole euro-zone economy has spiralled downwards, and it is now mired in depressed conditions, with no end in sight. And while the thrust towards competitiveness is built on internal wage depression—in the absence of the opportunity to devalue the currency—ordinary people's spending power collapses, and the market contracts further in a widening spiral.

The present relative calm in the euro zone has been bought at the expense of huge loans, primarily by the European Central Bank, to both commercial and central banks in the weaker EU economies, and the volume of these loans is still steadily increasing. This has generated two large risks. One is that if the euro ever does break up there will be huge losses to be taken by the ECB. The second is that there will be equally large losses to be written off by the German Bundesbank. This is because much of the money provided to the

weaker economies is being used to finance the flight of private-sector capital to Germany.

As this happens, however, the effect of all private transfers to Germany is that the Bundesbank has to provide equal but opposite payment facilities to the central banks of the countries that the funds are coming from. The result is that it is not just the ECB but also the Bundesbank that has huge debts on its books denominated in euros, which may end up being massively devalued.

If the euro breaks up, therefore, there will be an enormous requirement for refinancing both the ECB and the Bundesbank, using the borrowing covenants of whatever sovereign states are still sufficiently creditworthy to provide the financial resources that would be needed. It is not clear that anything like sufficient creditworthiness in these circumstances is going to be available.

So, what about the political risks? A combination of economic stagnation and mounting debt provides the background to the three main political risks inherent in the euro zone's battle for survival.

The first is that elections in the countries suffering most from economic stagnation might produce results that render those countries effectually ungovernable, or at least unable to impose on their citizens any longer the conditions necessary for the euro to survive.

The second risk is that the electorate in the more solvent euro-zone countries tire of providing unending support on the scale required to the austerity economies. It seems unlikely at the moment that the Germans, who are the main paymasters, will want to stop providing any financial assistance, but whether they will be willing to do so on a sufficiently comprehensive scale—for example by underwriting debt mutualisation—to keep the euro zone stable remains to be seen.

The third risk is that the markets begin to think that the cost and difficulties in maintaining the euro in being are so large as to be unmanageable, so precipitating a crisis as borrowing costs rise to a point that is clearly unsustainable.

It may be that none of these events will occur; but the chances of the future holding no unfavourable outcome of this kind do not look very strong.

So, what can be done? Faced with these problems, it is clear that the only way in which the euro could be permanently saved by political action would be for rapid moves to be made towards the euro-zone countries coming together to form a fiscal union. This would require much larger powers at the centre than there are at the moment.

The first moves in this direction may well be towards debt mutualisation, when all the countries in the euro zone jointly and severally underwrite each other's borrowings; but even if it could be achieved it is very unlikely that this on its own would be sufficient.

Long-term viability could be achieved only if much larger taxing and spending powers were centred in Brussels rather than at the national level. At the moment only a little over 1 per cent of all spending in the EU is channelled through the EU budget; in Ireland it is 42 per cent. The question then, however, is whether changes of this magnitude within the limited time likely to be available would be possible. It seems very unlikely that democratic consent on anything like the scale needed would be forthcoming.

Another possibility that EU leaders must be hoping will come to the rescue is that the impact of the euro on the austerity economies will force them to become sufficiently competitive to get the flows of goods and services between all the countries in the euro zone back into manageable balance. Experience, however, suggests that it is very unlikely that enough progress will be made to overcome the enormous differences in competitiveness that have developed. The cumulative effect of different levels of inflation since the euro was established have been to increase export costs by 30 per cent or more in several euro-zone countries compared with what has happened in Germany.

It seems dauntingly difficult, therefore, to close gaps of this size by cutting wages and improving efficiency, especially as one of the major effects of the austerity programmes from which the EU is suffering is a decline in investment in new and up-to-date highly productive plant and machinery. On its own, therefore, it seems that this route out of the euro's problems is very unlikely to be sufficient.

The problem for the euro over the coming period, therefore, is that all the strains caused by austerity, excessive borrowing and high unemployment will remain. These will generate the risk that either losing support for maintaining the euro at national elections or market distrust will cause the euro sooner or later to collapse.

In the long term, however, this may be the only way to get most European economies to start growing again and their very high levels of unemployment reduced to more tolerable levels.

Kohl links euro to "the irreversibility of the European project"

Helmut Kohl has said he stayed on as chancellor of Germany until his political defeat in 1998 because he doubted that anyone else had the political authority to guarantee Germany's adoption of the European single currency.

In an interview, Kohl said he sensed considerable resistance in his Christian Democratic Union both to the euro and to his anointed successor, Wolfgang Schäuble.

"Dr Schäuble is a very talented man, but this was something someone with full authority had to tackle," said Kohl. He did not dare hold a referendum in Germany on the single currency, he said, because "of course I would have lost … We had lots of people in the CDU who spoke out" [against the euro].

Kohl said he linked his "political existence to the project," and that he wanted the introduction of the euro because "it was a question of the continuity, the irreversibility, of the European project … In one case," he said, "I was like a dictator, and that was with the euro."

Could Ireland stay in the EU and leave the euro?

There is at present no mechanism for a country leaving the euro zone. However, there is a provision (article 50 of the Treaty on European Union) that allows for a negotiated exit from the EU. A much-cited paper for the European Central Bank argued that this means that giving up the euro and leaving the EU would need to happen simultaneously.

Given the absence of a specific article on giving up the euro, there are two broad ways in which a country could conceivably abandon the euro

but stay in the EU, provided this took place under reasonably amicable circumstances.

One would be changing the EU treaties to allow a mechanism for abandoning the euro, perhaps modelled on article 50, or alternatively—an idea floated by German politicians—to automatically trigger this if a state is unwilling or unable to comply with the rules governing the single currency. This would require agreement among all twenty-seven member-states and would essentially be a treaty renegotiation, making it complex and long-winded.

By definition, however, a decision by Ireland to abandon the euro has to happen essentially overnight. This is problematic, as a treaty change could take months. Even using the fastest track it still requires unanimity among EU leaders and approval by at least some national parliaments. So, a more likely option is to use existing articles in the treaties that provide flexibility in addressing a number of issues to legally facilitate withdrawal from the euro but not the EU.

Historically, political expediency has trumped EU law; and in order to take a swift decision and avoid a treaty change EU leaders would most probably go for the latter option. Article 352 of the Treaty on the Functioning of the European Union—the notorious "flexibility clause"—allows member-states to take measures to achieve EU "objectives" not yet provided for in the EU treaties.

Reminiscent of the bail-outs themselves, this could provide a temporary legal avenue for Ireland leaving the euro but staying in the EU without shredding the EU treaties to pieces. It would be extremely messy and far from easy—and would require unanimous approval, in addition to the European Parliament giving its consent.

As legal challenges are likely, a full treaty change would almost certainly be necessary very soon after the actual Irish exit (and use of article 352), which would change Ireland's status under the EU treaties from a euro member to a non-member and would recognise, at least in retrospect, that there is a way for a country to abandon the euro.

However, a full treaty change would come with its own set of political and legal complications, and the changes would most probably have to be ratified in national parliaments.

EU countries rush to cut corporate taxes

The British chancellor of the exchequer (minister for finance), George Osborne, has announcd the fourth cut in corporate taxes since 2010. The rate has gone down from 28 to 20 per cent since 2010. But is there any point to corporate-tax competition? And, most importantly, does it result in the creation of jobs?

Cyprus's tax rate of 10 per cent has attracted 40,000 "letterbox companies" that offer not one single job in the country; and there's Bulgaria also offering a 10 per cent tax rate for businesses while its economy is in such a state that it "may become Greece," according to some analysts.

Sweden cut its corporate tax to 22 per cent, which meant a loss of €1.6 billion to the state, while Swedish citizens pay a top marginal income tax of 57 per cent. There was no surge in job creation.

Meanwhile Denmark announced a lowering of its corporate tax from 25 to 22 per cent amid a

continuing recession and its hard work to correct the persistent budget deficits.

Debt-laden Portugal has floated the idea of lowering corporate tax to 10 per cent—as low as Cyprus—for some months now. The Spanish government has also had the clever idea of giving up tax revenue in this way.

Meanwhile most EU governments are shifting the tax burden to their citizens, in a further twist of the austerity screw. Someone has to pay, after all, and having deficits doesn't seem to stop any government from giving up tax revenue from the corporate world—in effect grant-aiding big corporations.

This race to the bottom merely continues the recent trend of massive transfers of wealth from ordinary citizens to a small wealthy elite, with no benefit to those citizens.

"The euro is not a currency under which the European project can prosper"

Bernd Lucke, joint founder of Germany's new *Alternative für Deutschland* party, argues that "the euro is not a currency under which the European project can prosper … There is a division of Europe now, and this is going to become bigger in the future."

While some areas, such as competition policy and banking regulation, should remain at the EU level, he says, most other decisions should be returned to national governments.

Looking ahead to September's federal elections, Lucke argued that "many of Angela Merkel's supporters will vote for us." Even a modest electoral result for the party could be enough to deprive the CDU-CSU and FDP coalition of an outright victory.

Former Syriza leader launches anti-euro party

The former parliamentary leader of Syriza, Alékos Alavános, officially launched his new "Plan B" party on Thursday, which advocates Greece abandoning the euro and returning to the drachma.

In 2012 Syriza became the second-largest party in the Greek parliament and the main opposition party. Alavános led Syriza between 2004 and 2008 but has been mostly on the political sidelines over the last few years. Over recent months he has criticised the party he used to lead, arguing that its goal of rejecting the terms of the EU-IMF bail-out but remaining in the single currency was not credible.

This criticism culminated in the decision to create a new party that would give "a large part of Greek society, possibly as much as 50 per cent who are in favour of leaving the euro, a chance to have their say."

However, he stressed that a return to the drachma would not in itself be a solution to Greece's problems. "Leaving the euro is a precondition for salvation and recovery but is not enough on its own," he said. "It is a link in the chain of transformations that have to happen, which includes economic planning, stopping payments to foreign lenders, and nationalising banks."

The treatment of Cyprus by the euro zone, including threats that the liquidity supply to its banks would be cut off, only strengthened the need for Greece to look at alternatives, said

Alavános. "Events in Cyprus give the image of a nightmarish future, which we must never experience in Greece."

Alavános, who led Syriza to a 5 per cent share of the vote in 2007, said that his new party would eschew the usual apparatus associated with political movements and instead harness the power of the internet and "direct democracy" by operating through a "national network of assemblies, which will have decision-making powers."

EU urges Portugal to stick to fiscal targets despite court ruling

The EU Commission has urged the Portuguese government to stay the course on reducing its budget deficit, despite the country's Constitutional Court rejecting central parts of the government's 2013 austerity budget.

The prime minister of Portugal, Pedro Passos Coelho, said the ruling of the Constitutional Court posed "serious obstacles and risks" this year and next but reaffirmed his commitment to the fiscal and economic adjustment scheme under the EU-IMF bail-out. "The government is committed to all the objectives of the programme," he said, ruling out further tax increases but saying it was vital to avoid a second rescue and that he had told ministers to cut spending.

The European Commission welcomed the statement and urged Portugal to stick to its €78 billion bail-out plan, "including its fiscal targets and timeline."

Portugal was left scrambling to avoid a second bail-out after the country's highest court annulled important austerity measures in its 2013 budget, which was intended to meet deficit targets agreed with its international lenders. The court rejected four out of nine contested austerity measures in this year's budget, including cuts to holiday bonuses for pensioners and public servants and reductions in sickness leave and unemployment benefits. The entire package of austerity measures in the 2013 budget is worth about €5 billion. The largest tax increases in living memory were mostly upheld by the court.

Meanwhile Greece's relationship with its international creditors has taken an unexpected turn for the worse. The Greek government needs to sack 25,000 civil servants by the end of 2015, despite unemployment nearing 30 per cent, in order to receive its first instalment of €2.8 billion, apparently placing "intolerable pressure" on the already fragile government.