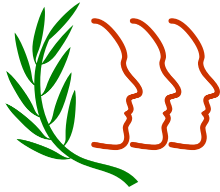

PEOPLE'S NEWS

News Digest of the People's Movement

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ECB gags state on IBRC liquidation

The European Central Bank has stopped the Government from releasing any information in relation to the liquidation of the former Anglo-Irish Bank, now IBRC. A senior official in the Department of Finance has said that *"what they* [*the ECB*] *have said from an early stage is that if there is any release, at all, then all negotiations are off. They do not want to discuss this in any forum, other than that of a member-state and the ECB Council."*

The department, which has received about sixteen freedom-of-information requests in relation to the IBRC liquidation, is now considering a policy that would allow it to refuse all applications for the release of such information.

A spokesperson for the Information Commissioners said that section 20 of the Freedom of Information Act (1997) allows the secretary-general of a department to stop the release of any matter relating to the deliberative processes of a public body by issuing a certificate in writing. "A secretary-general can issue a certificate to say any records can be refused. It is up to the particular secretary-general to revoke [the certificate]. If a certificate is issued it cannot be challenged in the courts, or by the Information Commissioners, and remains in place until the secretary-general cancels it."

So all we have to do is pay up and not ask questions about what we are paying for! It is the clearest indication yet that Ireland's economy is being run from Frankfurt. No wonder the contents of the last two budgets were available to members of the Bundestag before they were available to TDs in the Dáil!

David Norris had this to say in the Seanad: *"I refer to a report that appeared under the headline 'ECB gags state on IBRC liquidation.' This headline should send a shudder down every decent democrat. A bank—that is, an unelected group of financial twits—presumes to dictate to a democratically elected government what it shall and shall not do in respect of informing its own public. We are expected to pay for this, but once again we are not allowed to know who we are paying or the procedures under which this is being done.*

"A senior official is quoted in the newspaper as saying that they have received instructions from the ECB not to release anything to the public. The bankers who have led us into this slaughterhouse are still dictating to us. I find that grossly offensive, immoral, and probably unconstitutional. A spokesperson for the Department of Finance said it is, unfortunately, a lot more secretive than we are. It is not tolerable.

"I believe that at some stage some citizen across Europe will drop a match on the floor and the whole bloody thing will go up; and it cannot come soon enough as far as I am concerned."

EU Military Committee meets in Dublin Castle

The European Union Military Committee is a department of military officials that gives military advice to the Political and Security Committee of the EU. It also oversees the European Union Military Staff.

People’s Movement protest:
EU warmongers go home!

Assemble opposite the Olympia Theatre on Tuesday 30 April at 1 p.m. for an hour.

The Military Committee is made up of the chiefs of defence of the EU member-states, who are represented regularly by their permanent military representatives in Brussels. A similar Military Committee exists within NATO, and those countries that are members of both the EU and NATO have in most cases chosen to use the same person as permanent military representative to both organisations.

The EU Military Committee is chaired by a general officer or admiral selected by chiefs of defence and appointed by the Council of the European Union, who participates in meetings of the Political and Security Committee as appropriate. They are the primary point of contact with the operation commanders of the EU’s military operations and attend Council meetings that have defence and security implications.

The present chairman is General Patrick de Rousiers of France. Ireland has a staff of twenty-four allocated to the EU Military Committee, with Bobby McDonagh as permanent representative and Brigadier-General Liam MacNamee as military representative.

The Treaty of Lisbon states: *“Recalling that the common security and defence policy of the Union respects the obligations under the North Atlantic Treaty of those Member States which see their common defence realised in the North Atlantic Treaty Organisation, which remains the foundation of the collective defence of its members, and is compatible with the common security and defence policy established within that framework … Convinced that a more assertive Union role in security and defence matters will contribute to the vitality of a renewed Atlantic Alliance* [*i.e. NATO*], *in accordance with the Berlin Plus arrangements* [*sharing EU-NATO assets*] …”

And that is the context of this meeting in Dublin.

Another referendum?

An agreement was reached recently in Dublin, at Germany’s initiative, to examine possible changes to the EU treaties in order to reinforce the legal standing of the regime under which the European Central Bank is to supervise commercial banks from next year.

This has the potential to create political problems for the Government, given the possibility of any change in the treaties necessitating another referendum; but the Irish EU presidency said it will not change its timetable for banking union.

Germany’s minister of finance, Wolfgang Schäuble, insisted that a revision of the EU treaties is necessary to create a single authority for winding up banks under European Banking Union. “We’ll only do this on a clear legal basis, because I don’t want risks in Karlsruhe,” he said, in a reference to Germany’s Constitutional Court.

Although this question will not be settled for some time, the ministers issued a statement in which they declared themselves ready to “work constructively on a proposal for treaty change” if that was necessary to underpin the new ECB powers. Austria and Sweden have echoed Germany’s call for change in the treaties over banking union.

Celebrate “Europe Day”—Thursday 9 May—with the People’s Movement

• Protest outside the EU offices in Dawson Street, Dublin, at 1 p.m. for one hour. *“The EU imposes austerity to pay the bankers.”*

• The inaugural Europe Day Lecture: *“Europe Day, Europe in crisis, and the unending saga of*

Irish debt." Speaker: Andy Storey. Pearse Centre (27 Pearse Street), Dublin, 7:30 p.m.

• At 7 p.m., before the lecture, the launch of a print, and reception. A new print by Robert Ballagh, in a limited edition of twenty-five, will be launched at a reception before the lecture. The print depicts a fractured EU member-state: Ireland!

The European Citizens' Initiative

The European Citizens' Initiative is struggling a year after being launched, bogged down by technical and bureaucratic hurdles that have prevented a single petition from meeting all the requirements.

ECIs are a form of petition created under the Lisbon Treaty (2009) to encourage grass-roots involvement in EU lawmaking. Of the nearly thirty proposed initiatives only fourteen have successfully registered, and only one—dealing with water rights—has gathered the required million signatures; but it falls short of requirements, because the signatures come from only five EU states, two short of the minimum needed.

Big international NGOs, such as Greenpeace and Amnesty International, have snubbed the ECI process because of the bureaucratic hurdles imposed and doubts over the promise that they would trigger a legislative proposal from Brussels.

The terrible reality!

The €70 billion we're putting into insolvent banks is €38,000 for every person at work in Ireland. If we throw in €35 billion for NAMA, it's €57,000 for every Irish worker.

A worker on the average industrial wage will pay €260,000 in tax over a working lifetime. It would therefore take all the tax paid by more than 400,000 workers over their entire careers to pay for the bank bail-out.

Even if we're wildly optimistic and assume that we'll eventually get back half the €105 billion, that still leaves 200,000 of us working our whole lives to pay off the gambling debts of a private elite.

This is grotesquely unjust; but it's also impossible. The underlying proposition is that the economy can afford to pay (in proportional terms) ten times what Britain has shelled out to rescue its gargantuan banking system.

You know a proposition is absurd when those who support it end up speaking gibberish. The Irish secretary-general of the European Commission, Catherine Day, announced that *"nobody made us take the loans. We did it … The bottom line is that when you take out a loan, you take out a liability to pay it back, and that's part of the credibility of countries as well."*

What Day seems to mean is that when anyone in a private Irish company takes out a loan, everyone who happens to be Irish acquires a liability to pay it back. And that is irrespective of interest reductions, longer payment periods, etc., etc.

The bottom line is that the principal amount has not been reduced one iota, and that the burden is still impossible.

Who needs NATO when you have the Lisbon Treaty?

The Swedish minister of defence has said her country is not in NATO partly because the EU treaty contains its own security guarantee. "If you really read it, the Lisbon Treaty says you must support your EU neighbours with all the necessary means," she said.

Referring to article 42.7 of the Lisbon Treaty, she stated: "Since the EU is not a military alliance, it's not like article 5 [NATO's collective security clause], but there is this line which says all EU member-states must support any other member-state if it's attacked, or if it's affected by a natural disaster."

She added that Sweden supports further EU military integration, and that EU leaders at a summit in December should give "a real commitment" to boosting their military capabilities and should introduce joint procurement of military hardware.

She noted that the EU already has "battle groups," rapid-reaction forces set up by sets of two or three states and designed to intervene in overseas crises, and said that if or when one of them goes into action it would be "a real leap forward … it would give new energy to European defence co-operation."

It would help if the EU created a single military operations centre, she said, to co-ordinate its military activities. "We don't want to have duplication [with NATO], but I think you are always more prepared if you have a capability of command and control. On the exact format, I don't want to say, 'This is the way it should be and this is where it should be.' But I think it could be good to get forward in this discussion as well."

Greece cuts public-sector jobs to secure new bail-out

Greece is to receive the next tranche of international aid after agreeing to slash 15,000 public-sector jobs by 2015. The government agreed to fire 4,000 public servants this year alone in order to unlock the latest bail-out funds, worth €8.8 billion, with €2.8 billion to be disbursed in the coming weeks and a further €6 billion next month.

The money from the Troika will be used to help recapitalise Greek banks. The prime minister, Antónis Samarás, said: "Greece is stabilising and its position is becoming more secure at a time when other countries are beginning to feel uncertainty."

Greece has been offered two bail-outs, worth €240 billion, over the last three years through a memorandum of understanding with the EU, ECB, and IMF. A statement from the Troika says that Greece is on track to curb its debt burden, which stood at 160 per cent of gross domestic product at the end of last year.

German "wise men" push for seizure of wealth to finance bail-outs

Two senior advisers to the German chancellor, Angela Merkel, have called for a tax on private wealth and property in euro-zone debtor-states to force the rich to finance rescue costs, marking a radical new departure for EMU crisis strategy.

Prof. Lars Feld and Prof. Peter Bofinger said that states in trouble must pay more for their own salvation, arguing that there is enough wealth in homes and private assets around the Mediterranean to cover the cost of bail-outs. "The rich must give up part of their wealth over the next ten years," Prof. Bofinger said.

The two economists are members of Germany's Council of Economic Experts, called the "Five Wise Men," a body that advises the

chancellor on major issues. There is no formal plan to launch a wealth tax, but the council is often used to fly kites for new policies.

Prof. Bofinger said it was a mistake to target deposit-holders in banks—the formula used in the EU-IMF bail-out for Cyprus, where those with savings above €100,000 at Laïkí Trápeza (People's Bank) and Bank of Cyprus face huge losses. "The canny rich in southern Europe just shift their money to banks in northern Europe to escape seizure," he said.

Prof. Feld said a new survey by the European Central Bank had revealed that people in the crisis countries are richer than the Germans themselves. "This shows that Germany has been right to take a tough line on euro rescue loans," he said. The ECB survey has hardened attitudes in Berlin, dooming efforts by Cyprus to extract more money from the Euro Group as rescue costs surge from €17½ billion to €23 billion.

But any attempt to enforce a wealth tax in future rescue talks will be seen by Club Med as further evidence that the northern powers will try to impose all the burden of crisis adjustment on those in trouble, rather than accepting their own shared responsibility for the failings of economic and monetary union.

Critics have long argued that northern Europe is equally to blame for the crisis, as it flooded the south with cheap credit, and they accuse Germany of destabilising the intra-EMU trade system by screwing down German wages and running a current account surplus of 7 per cent of GDP.

Any serious move towards a wealth tax could erode the pro-euro ardour of southern Europe's (and Ireland's) über-rich. The ECB bond-buying policy has largely rescued the wealthiest strata, while the full brunt of EMU austerity has fallen on ordinary people and the unemployed.

The political debate on euro membership may change dramatically if rich Cypriots, Italians, Spaniards, Irish and Portuguese begin to see economic and monetary union as a threat to their property, rather than a defence.

German "mini-jobs": €3 to €4 per hour!

Belgium has complained to the EU Commission that low wages at some German firms undermine EU competition rules.

The Belgian government wrote to the Commission claiming that Germany's "mini-jobs" amount to "social dumping." Many eastern European migrants are employed by meat-processing firms, with some workers receiving only €3 or €4 per hour and having no social welfare protection. Belgium's complaint follows concerns raised by Belgian abattoirs that low-wage competitors in Germany were threatening their survival.

According to the Commission, some 7½ million people are working under the "mini-job" regime, earning up to €450 per month without paying tax or contributing to any pension system.

Tax competition widens economic inequalities within countries

Nicholas Shaxson is the author of *Poisoned Wells: The Dirty Politics of African Oil* (2007) and *Treasure Islands: Tax Havens and the Men who Stole the World* (2011). He is an associate fellow of the Royal Institute of International Affairs (Chatham House) and writes for the Tax Justice Network.

In an important article in the *Guardian* (London), Shaxton dissects those calls that we hear from corporate bosses and many politicians that our countries should have

"competitive" tax systems. In short, these calls are based on simple economic fallacies, and it makes no sense at all to aim for a "competitive" tax system—at least in the sense in which it is usually understood.

A myth we're repeatedly told is that a country must be "tax-competitive" in order to support a successful economy. It sounds so reasonable. We're taught that competition between companies keeps them on their toes and pressures them to produce better products and services, at better prices.

But here's the problem: competition between companies in a market bears no economic resemblance whatsoever to "competition" between countries on tax. They are completely, utterly different economic beasts.

Shaxson reviewed the theory, the evidence and the actual practice of businesses, and it turns out that tax competition is always harmful—not just for the world as a whole, where it involves a race to the bottom that leaves all countries worse off, but also for individual countries participating in this race. Even if people understand the first point, it is the second point that is so often misunderstood.

In brief, tax competition always widens economic inequalities inside countries, and it distorts markets, reducing efficiency and increasing large corporations' monopolistic or oligopolistic pricing power. It undermines democracy, creating a sense of unfairness in the application of tax laws and driving tax systems diametrically in the opposite direction from where voters want them to be.

Tax competition drives down effective tax rates on capital; and all the evidence shows that while this does increase inequality it does nothing to boost economic growth. As effective tax rates on capital (and therefore on wealthier sections of society) are driven relentlessly lower, taxes on less mobile factors, such as labour—and therefore poorer members of society—are driven upwards.

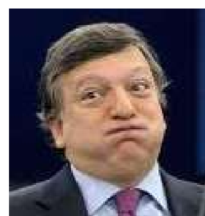
From a business viewpoint, here is Paul O'Neill, former head of the aluminium giant Alcoa and former secretary of the US Treasury under George W. Bush: "As a businessman I never made an investment decision based on the tax code … if you are giving money away, I will take it. If you want to give me inducements for something I am going to do anyway, I will take it. But good business people do not do things because of inducements."

Countries should not attempt to "compete" with others on tax. This is clearly significant for every country in Europe.

The published article is somewhat shorter than the original. Here's one bit that was left out but that we'd like to emphasise: "Let's tackle the economic illiteracy behind those calls for a 'competitive' tax system. If you write about it, always put 'competitive' in quotation marks, to signal that you understand. And when a politician wheels out the 'C' word—get them to explain exactly what they mean. Or run for the hills."

Once again, the *Guardian* article is here and the longer article here. And if you want further arguments about why it's a particularly bad idea to cut taxes on corporations, see this article from last year, which is even more relevant today than it was then, or this more recent one.

Barroso "discovers" that EU austerity has "reached its limits"



The president of the European Commission, José Manuel Barroso, has said that the EU's budget-slashing response to the economic crisis has run its course. "While I think this policy [austerity] is fundamentally right, I think it has reached its limits. We have to have tailor-made solutions

for each country: we cannot apply a one-size-fits-all programme to the European countries."

He said that the argument raging over the merits of "austerity" versus more public spending was a false debate. The answer was to combine the two—though he was careful not to say which should be predominant—and cuts in public spending alone would not provide the solution.

Barroso's remarks were a rare admission from Brussels that its policy prescriptions—mainly created by euro-zone governments, with Germany in the driving seat—for dealing with the crisis of the past three years had either been flawed or were running out of steam.

In the quest to pull the euro zone back into growth, he said, there was no point in piling up more debt. "Growth based on debt is unsustainable, artificial. That's the biggest lesson of the crisis."

For his part, the president of the EU Council, Herman van Rompuy, conceded that the economic crisis is "lasting too long, and patience is understandably wearing thin and a renewed sense of urgency is setting in."

Perhaps Angela Merkel more accurately reflected EU sentiment when she said, following Barosso's remarks, that "I prefer 'balancing the budget' rather than 'austerity,' which sounds like something truly evil." So expect more hand-wringing, but no change!

Simultaneously, the president of the German central bank, Jens Weidmann, has said the euro-zone crisis may take ten years to overcome, just as senior EU officials claimed their response to the crisis is working. "Overcoming the crisis and the crisis effects will remain a challenge over the next decade," according to Weidmann. He urged European governments to continue with reforms, and warned that "the calm that we are currently seeing might be treacherous."

Anti-euro party officially launched in Germany

The new German euro-critical party Alternative für Deutschland has held its inaugural party conference, adopting an election manifesto that calls for "orderly dissolution of the euro zone" and a possible reintroduction of the German mark. In addition the party demands the repatriation of some legislative powers from Brussels so as to "streamline" the EU.

All the participants believe that the euro is a doomed project that should be ended soon, for the benefit of all the single-currency countries. "There is something like a free-speech police here in Germany, saying there is no alternative to the euro," said Konrad Adam, joint founder of the new party, in the opening speech, which was often interrupted by standing ovations. "We are the alternative now—Alternative for Germany."

Unlike some other EU countries, but like Ireland, Germany's openly EU-critical parties and groups have so far led a marginalised political existence. And no party so far has openly advocated the dissolution of the euro. The Alternative for Germany hopes to capitalise on recent opinion polls showing that 17 per cent of voters could imagine opting for a party that favours giving up the euro.

A new opinion poll for *Bild* has Alternative für Deutschland on 5 per cent, the threshold for winning seats in the Bundestag.

Snippets

• According to the *Irish Times,* Brendan Howlin spoke to representatives of the EU-ECB-IMF Troika on the phone last week, following the rejection of the proposed Croke Park agreement, to explain the significance of the vote, and will meet them next week for more detailed discussions.

• Croatians have elected twelve members to the European Parliament, on a turn-out of 21 per cent, to take their seats when Croatia joins the EU on 1 July. The turn-out is less than half that in the country's referendum on EU membership in January last year, when 44 per cent of the electorate voted. It is also one of the lowest in EU polls: the record is held by Slovakia from 2004, when only 17 per cent voted.

• Member-states' anti-terrorist police forces have completed the most complex preparation and crisis-response simulation at the EU level. The simulation involved simultaneous terrorist attacks in nine different EU states (Austria, Belgium, Ireland, Italy, Latvia, Romania, Slovakia, Spain, and Sweden).

• The Cypriot parliament has approved an increase in the country's corporate tax rate, from 10 to 12½ per cent, a measure required by the €10 billion EU-IMF bail-out. The parliament also approved increasing a levy on profits from deposits, from 15 to 30 per cent, and raised a levy on bank transactions.

• Countries with a poor public administration are absorbing fewer EU cohesion funds, meaning that some of the poorest regions are getting the least out of the available money, the EU Commission has said. The report singles out Romania, the EU's second-poorest country, as having the lowest absorption rate: only 14 per cent of the €20 billion allocated to the country up to the end of this year was paid out by January 2013. Bulgaria, the bloc's poorest member, absorbed some 28 per cent of its funds by January. At the other end was Ireland, which got 60 per cent of its funds paid out already, followed by Sweden and Portugal.

• Under a new proposal from the European Commission, the EU's police and criminal intelligence agency, Europol, would have access to all information held by the police, including files on children, victims, witnesses and other people never even suspected of a crime. National authorities would be obliged to supply Europol with "the information necessary for it to fulfil its objectives," removing previous safeguards that allow them to decide what records are handed over.

• €500 notes should be taken out of circulation, as they are used by tax-evaders and criminals, the Spanish social-democratic opposition party has said. Spaniards call the €500 note "Bin Laden," because everybody has heard of it but nobody has ever seen one.

• In a joint feature article in the *New York Times,* Jeroen Dijsselbloem (president of the Euro Group), Olli Rehn (EU commissioner for economic and monetary affairs), Joerg Asmussen (member of the Executive Board of the ECB), Klaus Regling (CEO of the European Financial Stability Facility) and Werner Hoyer (president of the European Investment Bank) admitted that the crisis revealed "structural problems" in the set-up of European economic and monetary union.

• Speaking at a recent event hosted by Deutsche Bank in Berlin, the chancellor, Angela Merkel, said: “We need to be ready to accept that Europe has the last word in certain areas,” adding that “for me, hegemony is a totally alien concept.”

• Iceland is heading to the polls for a general election, and the two parties leading the race are in favour of halting plans for membership of the EU. The previous government said that membership would offer protection from economic turmoil; however, recent events in southern Europe have apparently led to a change of heart among Icelanders. Sigmundur Davíð Gunnlaugsson, chairperson of the Progressive Party, which is neck-and-neck with the Social Democratic Alliance in opinion polls, said: “What the economic crisis in Iceland and Europe has taught us is the importance of being able to control your own destiny.”

The slow demise of the euro

In the beginning it was just the “Greek debt crisis.” Then the markets realised that Portugal, Ireland, Italy and Spain were in bad shape too. But now Cyprus and Slovenia have run into trouble as well!

The euro crisis is entering its fourth year, and this won’t be its last. Its moments of sheer financial terror have become a bit less terrifying, however, ever since the European Central Bank promised to do “whatever it takes” to save the currency. But, as Cyprus and Slovenia show, the battle for the euro isn’t over yet.

The euro zone does not possess the fiscal or banking union it needs to make monetary union work, and it’s not close to changing that. In the meantime the euro’s flaws continue to suck countries into crisis. Most recently, Cyprus was forced to accept a bail-out, and a “bail-in,” because its too-big-to-save banks made some horrendously bad bets on Greek bonds.

Slovenia looks like it could be next on the euro bail-out tour, because its too-biggish-to-save banks made some horrendously bad bets on its own companies. Now, banks make bad bets all the time, but those bad bets can bankrupt you as a country if you don’t have your own central bank. Like euro countries.

Of course this “diabolical loop” between weak banks and weak sovereigns isn’t the only problem in Euroland. The common currency has plenty of other flaws. Here is why the euro, as it’s now constructed, is doomed to failure.

The euro zone isn’t what economists call an “optimal currency area.” In other words, it was a bad idea. Its different members are different enough to require different monetary policies. But they haven’t. They have the ECB setting a single policy for all seventeen of them. That’s a particular problem for southern Europe now, because its wages are uncompetitively high relative to northern European ones, and the ECB isn’t helping them out. For example, wages in Germany have risen less than 2 per cent in real terms during the last fifteen years!

There are two ways to fix this intra-euro competitiveness gap. Either northern European wages rise faster than normal while southern wages stay flat, or northern European wages grow normally while southern European wages fall. It’s the difference between a bit more inflation and not—in other words, between looser ECB policy and the status quo.

It might not sound as if it really matters which option they choose, but it very much does. Falling wages make it harder to pay back debts, which don’t fall, setting off a vicious circle into economic oblivion. The ECB apparently prefers

pushing more and more countries into oblivion with too tight money than risking anything resembling more inflation.

Then, austerity has been a complete disaster. It has actually increased debt burdens throughout southern Europe, because it has reduced growth more than it has reduced borrowing costs. And now northern Europe is getting in on the act. France (which is really somewhere in between "southern" and "northern," Ireland being broadly "southern") just missed its deficit target, and is going to slash more; the Netherlands has put through contentious tax increases and spending cuts, even as its economy has shrunk; and even Germany is contemplating new budget-saving measures. In other words, the euro has become an austerity suicide pact.

There is too little trade. Excluding Germany, a little more than half of all euro countries' trade is with each other. But with bad policy pushing southern Europe into depression and pushing northern Europe towards recession, the euro countries can't afford to buy as much stuff from each other. That adds a degree of difficulty to recovery for southern European countries, which need to export their way out of trouble. Intra-euro trade has stagnated for the past few years, after rebounding from its post-crash depths. The euro zone's weak links are dragging the rest down—but only because the rest refuse to pull the weak ones up.

And financial interconnection is too dense. Other countries' problems can quickly become your own if your banks own their bonds—especially if your banks are bigger than your economy. That's the lesson Cyprus learnt the hard way after its banks loaded up on Greek debt in 2010, only to get wiped out a year later.

The euro is the gold standard minus the shiny bits. Both standards force countries to give up their ability to fight recessions in return for fixed exchange rates and open capital flows. But giving up the ability to fight recessions just makes it easier for recessions to turn into depressions. And that puts all the pressure on wages to adjust downwards when a shock hits—the most painful and destructive way of doing things.

But the gold standard had an even bigger design flaw than creating depressions, namely perpetuating depressions. Under the rules of the game, countries short on gold were supposed to raise interest rates, which would push down wages and push up exports. More exports would mean more gold, and then lower interest rates.

But there was an asymmetry. Countries needed gold to create money, but countries didn't need to create money if they had gold. During the Great Depression the United States and France sucked up most of the world's gold but didn't turn it into money, out of fear of non-existent inflation. Countries that needed gold needed to push down wages even more to make their exports competitive—not that there were any booming markets for them to export to, because of the self-inflicted economic wounds of the United States and France. Instead, the depression just fed on itself.

The euro suffers from a similar asymmetry. Debtor-euro countries are to cut wages and deficits, but creditor-euro countries are not forced to increase wages and deficits. In other words, northern Europe isn't doing enough to offset the demand destruction in southern Europe. And it's sinking them all.

Even worse, this slow-motion collapse is turning loans that would otherwise have been good into losses—losses that force bail-outs and faster collapses.

But, to be clear, this isn't only a problem for the periphery. As the United States and France found out in the 1930s, it's generally not a good idea to force your customers into bankruptcy. That just creates depression without end—until the gold (or euro) standard ends. It's no coincidence that the countries that ditched the gold standard first recovered from the Great Depression first.

History doesn't need to repeat, or even rhyme. Europe doesn't have to keep crucifying itself on a cross of euros, the gold standard of the twenty-first century. The euro's northern bloc could decide to let the ECB do more. Or it could decide to start spending more.

Eurocrats seem content to do just enough to keep everything from falling apart, and nothing more. It's one part inflation phobia and one part strategy. Indeed, it's how they try to keep the pressure on the southern bloc to push through unpopular labour market reforms. But doing enough today eventually won't be enough tomorrow if the southern bloc has no hope of recovering within the euro. The politics will turn against the common currency long before that.

Confidence in the EU at its lowest level

Public confidence in the European Union has fallen to its lowest level in the six biggest EU countries, new data shows, raising fundamental questions about its democratic legitimacy more than three years into the union's worst crisis.

After financial, currency and debt crises, wrenching budget and spending cuts, and the surrender of sovereign powers over policy-making to inter-national technocrats, Euro-scepticism is soaring to a degree that is likely to feed populist politics and frustrate EU leaders' efforts to arrest the collapse in support for their project.

Figures from Eurobarometer, the EU's polling organisation, show a vertiginous decline in trust in the EU in such countries as Spain, Germany, and Italy, which are historically very pro-European. The six countries surveyed—Germany, France, Britain, Italy, Spain, and Poland—are the EU's biggest, jointly making up more than two out of every three EU citizens or about 350 million of the EU's 500 million people.

"The damage is so deep that it does not matter whether you come from a creditor, debtor country, euro would-be member or the UK: everybody is worse off," said the head of the Madrid office of the European Council on Foreign Relations, José Ignacio Torreblanca. "Citizens now think that their national democracy is being subverted by the way the euro crisis is conducted."

EU leaders are aware of the problem but utterly at odds over what to do about it, and cannot come up with any coherent policy proposals that address the mismatch between the pooling of economic and fiscal powers and the democratic mandate considered necessary to underpin such radical policy shifts.

The most dramatic fall in faith in the EU has occurred in Spain, where the collapse of the banking and housing markets, euro-zone bail-out and runaway unemployment have combined to produce a figure of 72 per cent "tending not to trust" the EU, with only 20 per cent "tending to trust" it.

The data compares trust and mistrust in the EU at the end of last year with the corresponding levels in 2007, before the financial crisis, and reveals a precipitate fall in support for the EU. In Spain, trust in the EU fell from 65 to 20 per cent over the five-year period, while mistrust soared to 72 per cent, from 23 per cent. In five of the six countries, mistrust prevailed over trust by sizeable margins, whereas in 2007, with the exception of Britain, the opposite was the case.

Five years ago, 56 per cent of Germans "tended to trust" the EU, whereas 59 per cent now "tend to mistrust" it. In France, mistrust has risen from 41 to 56 per cent. In Italy, where public confidence in the EU has traditionally been higher than in the national political class,

mistrust has almost doubled, from 28 to 53 per cent.

Even in Poland, which enthusiastically joined the EU less than a decade ago and is the biggest beneficiary of the transfers of tens of billions of euros from Brussels, support has plummeted from 68 to 48 per cent, although it remains the sole country surveyed in which more people trust than mistrust the EU.

A separate, more detailed study published this week on the effects of the currency and debt crisis and the austerity policies that have followed also found steep falls throughout the EU in faith in democracy and national political elites.

The study by the European Social Survey, linking university researchers throughout the EU, found that soaring unemployment, anxiety and insecurity had eroded faith in politics. "Overall levels of political trust and satisfaction with democracy [declined] across much of Europe," it said, "but this varied markedly between countries. It was significant in Britain, Belgium, Denmark and Finland, particularly notable in France, Ireland, Slovenia and Spain, and reached truly alarming proportions in the case of Greece."

The financial crisis in Greece "not only eroded the objective economic conditions of many citizens but also created widespread anxiety about a country's future even among those who did not experience hardship directly."

Within the euro zone the main response to the crisis, apart from bail-outs, has been a systematic surrender of budgetary and fiscal powers from national governments and parliaments to Brussels, as well as countries being bailed out while overseen by a "troika" of technocrats and economists from the European Commission, the European Central Bank, and the International Monetary Fund. These are "federalising" steps in a long process of euro-zone integration that might see it trans-formed from a currency union into a political union.

"The EU has hit home and is here to stay as a watchdog of budgets, labour markets, pensions, etc.," said Torreblanca. "This is unprecedented, and risky. Unless it is fixed it will feed the vicious circle between anti-EU populism and technocracy which we are currently seeing operating."

The European Parliament refuses to investigate lobbyists

The European Parliament has refused to set up a committee to investigate the role that lobbyists play in EU decision-making.

The decision was criticised by the joint leader of the parliament's Green-EFA group, Rebecca Harms, who has asked it to reconsider the decision. The demands follow the resignation late last year of a former EU Commissioner for Health and Consumer Policy, John Dalli, amid accusations that he was aware of attempts to alter draft EU legislation.

"The EU has done itself no favours in refusing to set up a special committee," Harms said. "Contrary to what has been said, this was not a committee of inquiry into the Dalli case. Its role was to look generally at the influence lobbyists have on the EU decision-making process and the lobbying industry. It would in no way have interfered in the ongoing investigation on Dalli."

It is estimated that 20,000 lobbyists are based in Brussels, many of whom not only have privileged access to Commission personnel but are actively involved in drafting legislation. No wonder they want to keep it under wraps!

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