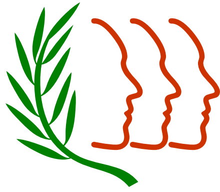

PEOPLE'S NEWS

News Digest of the People's Movement

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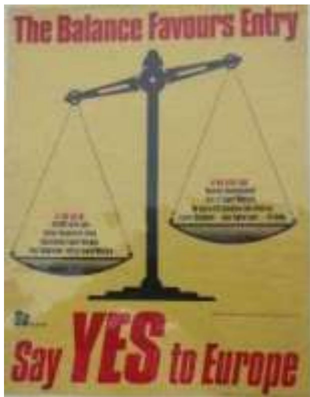
Robert Ballagh launches exhibition, "Ireland into the EEC: The 1972 Debate"



A new exhibition examining the referendum campaign on Irish membership of the EEC will be opened in Temple Bar, Dublin, on **Saturday 16 November** at 7 p.m.

The referendum, which took place **on** 10 May 1972, resulted in the crucial decision of Ireland joining the following year, 1973—forty years ago.
Many political and cultural figures contributed to the referendum debate, including Garret Fitzgerald, Tom Barry, Alan Dukes, Desmond Fennell, Jack Lynch, Michael D. Higgins, Charlie Haughey, Mary Robinson, Declan Costello, Niall Tóibín, George Colley, and Luke Kelly.

At a time when an unprecedented economic crisis has prompted many people to reassess Ireland's relationship with the European Union, this exhibition looks at the aspirations and the concerns captured in 1972 in pamphlets, leaflets, and posters. Many of the public policy decisions in political, economic and social areas that shaped modern Ireland over the last generation can be traced back to our joining the EEC.

The exhibition has only a short run before it goes on tour around the country.

Saturday 16 November to Thursday 21 November, in the **Culture Box**, 12 East Essex Street, Dublin.

For more information see the Facebook event page, contact post@people.ie, or phone 087 2308330.

Food sovereignty

The topic of this year's Raymond Crotty Lecture is still a new term in Irish political and social debate. Irish state policy is centred on an export economy, as opposed to ensuring a fair livelihood for the majority of farmers. But recent years have exposed the fragility of this economic model.

Annual Raymond Crotty Lecture

Food Sovereignty in Ireland

Speaker: Fergal Anderson

Thursday 21 November, 7:30 p.m.

Chairperson: Joe Murray

Pearse Centre, 27 Pearse Street, Dublin

Over the winter of 2012/13 a number of farmers ran out of fodder for their animals, leading to the importing of fodder from overseas. This unprecedented step exposed the very tight margins under which most farmers are working. In addition, the agri-export model still relies on high levels of imports of concentrated feeds, in spite of Ireland's high capacity for grass-fed production. Farmers, particularly those involved in animal-rearing, depend almost entirely on direct payments to

reach an average industrial wage of slightly more than €21,000 per year.

An alternative geared towards food sovereignty would mean important changes to the country's farming system, towards quality production as opposed to quantity. There is huge scope for improving accessibility to locally produced food and developing local and co-operative markets for agricultural produce while ensuring real sustainability without Ireland having to import concentrated feeds or fodder to feed its animals. Until this is achieved, smallholders in particular will struggle to make ends meet.

Fergal Anderson has been working on food sovereignty issues for many years, including three years with the international peasant movement Via Campesina in its Brussels office. At present he is trying to build an Irish network for food sovereignty.

Joe Murray is co-ordinator of Afri, whose goal is the promotion of global justice and peace and the reduction of poverty. He also organises the Louisburgh "Famine Walk" each May in Co. Mayo.

Joint conference by the People's Movement and the Peace and Neutrality Alliance

EU: the Military Dimension

Friday and Saturday, 15-16 November

Pearse Centre, 27 Pearse Street, Dublin

Full conference programme available at: www.people.ie

"Strengthening economic policy co-ordination"

The meeting of the European Council on 24 and 25 October gave an indication of just how limited the "economic sovereignty" that we are supposed to return to on 15 December will be. A central proposal is for "reform contracts" or "competitiveness pacts." The idea of "competitiveness pacts" was included in the election manifesto of Angela Merkel's CDU-CSU political alliance in the recent German elections. (We'll wait a long time before we see proposals in Irish election manifestos translated into EU policy.)

The proposal involves the beefed-up supervision and regulation of peripheral euro-zone economies as a price for German cash. Paragraph 36 of the conclusions spells it out: "The Commission will also provide a first overview of the implementation of country-specific recommendations that will be a basis for the further monitoring of their implementation. Work will be carried forward to strengthen economic policy co-ordination, with the objective of taking decisions in December on the main features of contractual arrangements and of associated solidarity mechanisms."

So the plan is for euro-zone countries "to strengthen economic policy co-ordination," and to agree the main features in December. The $64,000 question, of course, is where the money is going to come from for this "solidarity mechanism."

The reality is that core euro-zone governments, and particularly the German government, will not create a fund of sufficient size to compensate peripheral euro-zone countries for the disadvantages suffered as a result of membership. The Irish government would be irresponsible to agree to more scrutiny and "binding contracts" between itself and the EU in return for a vague promise of "solidarity mechanisms."

Also, it's fair to assume that the kind of beefed-up supervision and enforcement envisaged would most probably require changes to the EU treaties. It is significant, therefore, that the Sunday Times on 3 November reported that the Constitutional Affairs Committee of the European Parliament sent a confidential document to lawyers, asking for advice on how the EU can participate in national referendums.

The other big new project that got an outing at the meeting is for a banking union for the euro zone. Under this union the European Central Bank would directly supervise the euro zone's 130 biggest banks, and have the power to take over the supervision of any of the smaller banks if needed. A body called the "Single Resolution Mechanism" would decide how to wind down or restructure banks that are no longer viable. It would have its own fund to carry out this task.

As an intermediate step towards the Single Resolution Mechanism the euro zone wants to agree on a Bank Resolution and Recovery Directive, under which national authorities would co-ordinate their actions to deal with cross-border bank failures.

The ECB has published its plan for how it will assess the balance sheets of these banks. If capital shortfalls are identified, banks will be required to make up for them; but the president of the ECB, Mario Draghi, has said that a "public backstop" must also be available for this exercise.

Paragraph 43 of the conclusions spells it out: "Member states should make all appropriate arrangements, including national backstops, applying state aid rules." Governments, therefore, would have to help if a bank could not raise additional funds from the markets. This would mean that the Irish public would have to continue to bail out banks for the foreseeable future.

Figures released by the EU Commission contradict the claim in the Council conclusion that "signs of economic recovery are visible …" On Tuesday 5 November the Commission was forced to downgrade its forecast of economic growth for the euro-zone countries in 2014 to 1.1 per cent, after a contraction of 0.4 per cent this year. In May the Commission had forecast that the euro zone would grow by 1.2 per cent in 2014; but it then made more optimistic assumptions on private consumption and investment, even though assumptions of government demand remained unchanged.

So was there any recognition that in such a situation there is a clear need for more flexibility on deficit targets?

The Commission continues to insist on the need for "budgetary discipline and structural reform," and the governments support that line.

As we return to so-called economic sovereignty on 15 December we mustn't forget the Permanent Austerity Treaty that was pushed through in the referendum of 31 May 2012. Under it the maximum allowable public deficit in any year is 0.5 per cent of GDP, and there are automatic penalties to enforce this. It thereby clamps permanent austerity on most of the euro-zone countries, and makes it impossible for them to run a deficit to counter slumps in private domestic and foreign demand for goods and products.

Despite the pretended shock, the US snooping scandal must have come as a welcome diversion for the EU leaders gathered in Brussels.

Yet another secret treaty!

Remember that referendum about whether we should create a single market with the United States? The one that asked whether corporations should have the power to strike down our laws?

There must have been one, mustn't there? After all that agonising over whether we should have a referendum on Lisbon or the Austerity Treaty, and all the guff about regaining our economic sovereignty, the government wouldn't cede our sovereignty to some

shadowy, undemocratic body without consulting us. Would it?

But the purpose of the "Transatlantic Trade and Investment Partnership," the negotiation of which is nearing conclusion, is to remove the regulatory differences between the United States and European countries. It would allow a secretive panel of corporate lawyers to overrule the will of parliaments and destroy our legal protections. Yet Noonan, Gilmore et al.—the defenders of our sovereignty—say nothing. They couldn't possibly be trying to keep us in the dark—could they?

The mechanism through which legal protections are attacked is known as investor-state dispute settlement. It's already being used in many parts of the world to kill regulations protecting people and the environment. Here are a few examples of the mechanism in action.

The Australian government—like the Irish government—after massive debates within and outside parliament, decided that cigarettes should be sold in plain packets, marked only with health warnings. The decision was validated by the Australian Supreme Court. But, using a trade agreement Australia had made with Hong Kong, the tobacco company Philip Morris asked an offshore tribunal to award it a vast sum in compensation for the loss of what it calls its intellectual property.

During its financial crisis, and in response to public anger over rocketing charges, Argentina imposed a freeze on people's energy and water bills; but the country was sued by the international utility companies whose vast bills had prompted the government to act. For this and other such crimes it has been forced to pay out more than a billion dollars in compensation.

In El Salvador, local communities managed at great cost—three campaigners having been murdered—to persuade the government to refuse permission for a vast gold mine that threatened to contaminate their water supplies. A victory for the people? Well, the Canadian company that sought to dig the mine is now suing El Salvador for $315 million, for the loss of its anticipated future profits.

In Canada, the courts revoked two patents owned by the American drugs firm Eli Lilly, on the grounds that the company had not produced enough evidence that they had the beneficial effects it claimed. Eli Lilly is now suing the Canadian government for $500 million—and demanding that Canada's patent laws be changed.

These companies are using the investor-state dispute rules embedded in trade treaties signed by the countries they are suing. The rules are enforced by panels that have none of the safeguards we expect in our own courts. The hearings are held in secret. The judges are corporate lawyers, many of whom work for companies of the kind whose cases they hear. Citizens and communities affected by their decisions have no legal standing. There is no right of appeal on the merits of the case. Yet they can overthrow the sovereignty of parliaments and the rulings of supreme courts.

And here's what one of the judges on these tribunals says about his work: "When I wake up at night and think about arbitration, it never ceases to amaze me that sovereign states have agreed to investment arbitration at all … Three private individuals are entrusted with the power to review, without any restriction or appeal procedure, all actions of the government, all decisions of the courts, and all laws and regulations emanating from Parliament."

There are no corresponding rights for citizens. We can't use these tribunals to demand better protection from corporate greed. As the Democracy Centre says, this is "a privatised justice system for global corporations."

Even if these cases don't succeed they can exert a powerful effect on legislation. One Canadian government official, speaking about

the rules introduced by the North American Free Trade Agreement, remarked: "I've seen the letters from New York law firms coming up to the Canadian government on virtually every new environmental regulation and proposition in the last five years. They involved dry-cleaning chemicals, pharmaceuticals, pesticides and patent law. Virtually all of the new initiatives were targeted, and most of them never saw the light of day."

Democracy, as a meaningful proposition, is impossible under these circumstances.

This is the system to which we will be subject if the transatlantic treaty goes ahead. The United States and the EU Commission, both of which have been captured by the corporations they are supposed to regulate, are pressing for investor-state dispute resolution to be included in the agreement.

The Commission justifies this policy by claiming that national courts don't offer corporations enough protection, because they "might be biased or lack independence." But it fails to produce a single concrete example that demonstrates a need for a new, extrajudicial system. It is precisely because our courts display some modicum of independence that the corporations want to bypass them. The EU Commission seeks to replace open, accountable, sovereign courts with a closed, corrupt system riddled with conflicts of interest and arbitrary powers.

Investor-state rules could be used to smash any attempt to save the health system from complete corporate control, or to regulate the banks. These rules shut down democratic alternatives. This is why there has been no attempt by the Irish government to inform us about this monstrous assault on democracy, let alone to consult us. This is why the Fine Gael-Labour coalition and the loyal opposition who huff and puff about sovereignty are silent.

John Bruton: From Taoiseach to puppet

One of Dublin's quirks is that its banking district sits beside a harrowing memorial to those who perished in a nineteenth-century famine. The International Financial Services Centre hosts offices for banks and hedge funds whose feckless behaviour has caused not one but several crises.

The effects of one crisis remain palpable. Mass emigration is haunting Ireland again, as it did at the time of the Great Famine of the 1840s. Our ability to keep in touch through Skype or Facebook doesn't make the fact that young people can't find decent jobs at home any less scandalous.

But there is another crisis with which we are less familiar. J. P. Morgan and HSBC are both present in the IFSC. These two banks have been involved in a frenzy of speculation on basic foodstuffs. The consequent increase in grocery prices has exacerbated the problem of global hunger. It is partly because of this speculation that the extreme poverty we Irish people associate with the time of the Great Famine is a daily reality for a billion people around the world.

The president of the International Financial Services Centre, John Bruton, epitomises the phenomenon of the revolving door between big business and politics. A former Taoiseach, Bruton went on to become the European Union's envoy ("ambassador") in Washington. Since stepping down from that post in 2009 he has not been short of job offers. He has signed contracts to work for the Brussels consultancy firm Cabinet DN and for several other firms.

Cabinet DN has a number of large companies on its roster. They include the New York Stock Exchange and Rupert Murdoch's Sky Broadcasting Group. When Bruton writes

opinion articles for newspapers or takes part in television and radio broadcasts he gives the impression that he is now an independent thinker. Yet the arguments he makes generally chime with the interests of those captains of industry for whom he has become a puppet. He is a staunch supporter, for example, of the proposed trade and investment agreement under negotiation between the European Union and the United States (described in the preceding article).

According to Bruton's web site, such a deal is necessary to "remove barriers and inefficiencies that prevent Americans and Europeans from realising their full economic potential." He has not bothered to explain that the "barriers and inefficiencies" he wants to remove can be essential for protecting human health and the environment.

The trade negotiators from both sides of the Atlantic due to meet for a new round of talks this month are pursuing an agenda drawn up for them by major corporations. A core objective of that agenda is achieving "regulatory convergence." This is a fancy term for destroying the things that distinguish Europe from America. For example, we have stronger food safety standards on this side of the Atlantic than they have in the United States. This year the EU authorities have issued temporary bans on several pesticides that have been linked to the rapid decline in bee populations. Some of the world's largest chemical and biotechnology firms, including Monsanto, Syngenta, Bayer, and Dow, have recently complained that the EU is more willing to take precautionary measures against pesticides than the United States. These companies want the EU's scope for taking such measures to be restricted.

The argument that these companies constantly use is that policy-making should be guided by scientific proof. At first glance that may seem sensible; in reality it is a recipe for corporate conquest. Nearly all substances that Monsanto manufactures would be allowed on the market if this argument was stretched to its logical conclusion. Monsanto, let us remember, manufactured the essential ingredients of Agent Orange, the toxic cocktail that caused devastation in Viet Nam; fifty years later the firm still insists that the links between this weapon and certain diseases has not been "conclusively demonstrated."

There has been some speculation lately that the revelations of US snooping on Angela Merkel's phone conversations would have adverse consequences for the trade talks; but the Federation of German Industries is pushing for an agreement to be reached. Merkel may be genuinely irked that her personal phone is being monitored; but she is hardly irked enough to ignore the diktats of her country's most influential business group.

One thing that could derail the trade talks is mass resistance. It is by no means fanciful to predict that a huge international campaign could upset the carefully prepared plans of the world's most powerful corporations. Such opposition has thwarted other pernicious economic accords, notably the Multilateral Agreement on Investment in the 1990s and, more recently, the Anti-Counterfeiting Trade Agreement.

We Irish people often take pride in our bonds with the United States. We seem to take pride even when it leads to nauseating spectacles of subordination—such as when the Taoiseach visits the White House with a bowl of shamrock each St Patrick's Day. John Bruton has built a career around that subordination. He has benefited handsomely. The rest of us have not.

Corporate Europe

David Cronin is an Irish journalist and political activist living in Brussels. His latest book is Corporate Europe: How Big Business Sets Policies on Food, Climate and War (Pluto, London, 2013).

During the chaos of the euro-zone crisis, few mainstream commentators stopped to question the purpose of the European Union itself, and whose interests it serves. Corporate Europe goes beyond the divisions between states, focusing instead on the division between the corporate elite and the peoples of Europe.

David Cronin spent a year investigating the privileged access that big business enjoys in Brussels. In this book he reveals how the EU's policies on health, climate change, armaments and food safety have been tailored to please an unaccountable elite. Making extensive use of previously unpublished documents, he explores how ideologically blinkered lobbyists seized on the financial crisis of recent years to entrench the casino capitalism that caused the crisis in the first place. What emerges is a powerful exposé of how vested interests in the EU have manipulated opportunities to introduce ideologically driven reforms.

Continuing resistance in Greece

Greek public-sector workers held a 24-hour strike last week as disputes continued between the EU-IMF-ECB Troika and the Greek government, notably over the speed and scale of the privatisation programme and the level of social welfare contributions.

Separately, Greek riot police forcibly removed protesters who had occupied the premises of the former state broadcaster, ERT, since its closure earlier this year.

Understanding the Common Agricultural Policy

Where does the money come from? At least 90 per cent of so-called "EU money" comes from the Irish taxpayer. Say we get about €1.8 billion from the EU in a year in all industries: we will have given the EU about 1.5 billion. So money paid under the CAP and other EU schemes is nearly all recycled Irish taxpayers' money.

In addition, many agricultural schemes are "co-financed." Some environment-related schemes are an example of this. Most of the public, including farmers, are under the impression that the EU is some kind of fairy godmother doling out the money. Even the farming organisations either don't know or pretend not to know this. For example, on the final evening of the recent national ploughing championship the president of the ICMSA, John Comer, stated on RTE that "the EU will give €300 million for rural development (Leader) over the next five years." He then went on to look for government co-financing of an equal amount.

In reality what he was looking for was a taxpayers' contribution of, say, about 84 per cent of €300 million (the amount originally paid to the EU by the Irish taxpayer), plus €300

million from the taxpayer directly—a total of €552 million, or about 92 per cent of the total he was seeking. But the impression he gave was that there was an EU gift of €300 million going begging.

Who gets the money? The average is about €10,000, though a few individuals have built up amazingly high annual single-farm payments, going into six figures. Most of the really high earnings appear to be connected to premiums claimed by the owners of beef factories and by managers and agents in the reference years.

Many high payments are connected to rented land, so that the person who rents out the land—often retired—also benefits. There is also a whole bureaucracy built up in administering the many complicated schemes. The Rural Development (Leader) programme has given valuable grant aid to non-farming initiatives in rural areas; but this is a small proportion of the total.

Who pays? The taxpayer pays. About half the EU budget goes on the CAP, but this is only 1 or 2 per cent of total GDP, probably not too high a price to pay for a plentiful supply of high-quality food.

However, Ireland's situation is a bit different. One of the main reasons we joined the EU was because of the CAP. To do this we sacrificed 96 per cent of our fisheries. Government figures show that the 4 per cent we held on to generates almost €400 million per year for the economy, so in that sense alone it was not a good deal. We gave away an industry capable of generating €9 or 10 billion a year.

Ireland is also different in that we export more than 80 per cent of our food production—unlike most EU countries, which are just self-sufficient or net importers of food. In recent years direct farm payments have amounted to about 80 per cent of farm income each year. In other words, the Irish taxpayer pays about 70 per cent of the total labour costs associated with farming—say a subsidy of about €800 million. This means that farm produce is sold on to processors and distributors at less than what the true economic cost would be if the sale price were to include a proper economic return for the farmers' labour.

As four-fifths of this subsidised farm production is exported, these exports are being sold on at a cost of €640 million to the taxpayer. Other countries are getting a product that the Irish taxpayer has heavily subsidised. We give them free fish, and food that we have subsidised to the tune of €640 million per year.

There has also been a huge decline in the number of those engaged in farming, so it could be argued that farmers have been made redundant, and rural communities have lost out. And for those still farming, most farmers need an off-farm income even with all the subsidies.

Additional costs? One of the great unexplained disasters of the CAP was the extinction of the sugar industry, while pigs and poultry have also been in difficulty, resulting in big job losses.

There are also environmental costs. No figures are put on the destruction of the environment and habitats. Mass mechanised agricultural production is a huge user of fossil fuels for energy and releases enormous amounts of greenhouse gases into the atmosphere. Agriculture as practised in Ireland uses huge amounts of imported energy and machinery, so a lot of our money goes to Middle Eastern oil producers and German tractor manufacturers. By subsidising EU food production, agriculture in Third World countries is deprived of markets. Irish and EU taxpayers have to fork out for foreign aid as a result.

What are the benefits? Perhaps a dependable supply of good-quality cheap food? But the question is whether this dependability is for the EU's benefit or Ireland's.

We can supply our own high-quality food, but the EU cannot. While formerly Irish politicians used to criticise Britain's "cheap-food policy," the fact is that in relative terms farmers now get a lower price for their produce than when Britain was almost our sole market.

In the 1960s a gallon of milk or a pound of beef would buy a farmer a pint of Guinness; now it would take three gallons of milk or two pounds of beef. On the other hand, the processors and retailers seem to be getting a greater share of what the consumer pays. In the old days, when the local butcher ran a straightforward operation the farmer got 75 per cent of the retail price; nowadays he gets about 33 per cent.

By keeping agricultural production at home, huge employment is generated in processing and downstream industries. This also has the advantage of creating employment near the source of raw materials, in rural areas that would have little hope of other factories or foreign investment. Subsidies have kick-started the forestry industry, and this is proving to be a success from several points of view, such as the environment, import substitution, export potential, and sustainable fuel production

To summarise:

• In Ireland's case, the CAP system is a convenient smokescreen for transferring Irish taxpayers' money to farmers and factory-owners.

• Apart from a few scandalously high cases, average payments to farmers are low; but there is a bureaucratic "take" from these funds for lobbyists and officials in Brussels and Ireland.

• It is very questionable whether Ireland is getting a good deal in general, considering that most of the money comes from the taxpayer. It is mainly foreign consumers and suppliers of energy and machinery who are being subsidised; and we surrendered our fisheries for the CAP. Are we being used by the international powers that be to shove out cheap food to them, subsidised by the Irish taxpayer?

• Environmental costs have been ignored (though this appears to be changing).

• The CAP has resulted in beneficial regional redistribution to rural areas and indirectly improved the quality of our work force, but schemes such as Leader are too bureaucratic.

Putting the wolves in charge of the sheep—EU style

Advisory groups, known as "expert groups," provide input from stakeholders in areas where the EU Commission lacks internal expertise. They are found in all directorates-general and play a vital role in shaping the Commission's thinking on new policies and legislation, whether the regulation of chemicals or how to tackle tax havens.

For example, the Commission's response to the financial crisis was guided by the High-Level Group on Financial Supervision in the European Union, also known as the De Larosière Expert Group (after its chairperson, Jacques de Larosière, a senior figure in the banking industry). Four of its eight members had close links with the banks most implicated in the economic crisis (Goldman Sachs, Citigroup, Lehman Brothers, and BNP Parisbas), while a fifth was a known advocate of deregulation and a sixth worked for Britain's Financial Services Authority, which has been described as systematically failing to predict or avoid the crisis.

The resulting report of the expert group claimed it would improve the EU's supervision of banks; but—not surprisingly, given the make-up of the group—it failed to address the fundamental question of whether banks could or should continue to regulate themselves, or what to do with banks that were "too big to fail," both significant factors in the crash.

Now research by ALTER-EU, a coalition of more than two hundred civil-society groups, has shown that many of the Commission's expert groups are consistently dominated by big-business interests, meaning that the voices of other stakeholders, such as small and medium-sized enterprises, trade unions, consumer groups, and NGOs, are largely unrepresented and unheard.

This type of corporate domination is dangerous, to say the least, given that the final reports of expert groups often form the backbone of the Commission's legislative proposals.

Members of the European Parliament were so concerned by the Commission's unwillingness to fix the problem of corporate-dominated expert groups that they twice froze the groups' budget, first in November 2011 and again in March 2012. The EU Parliament finally approved the budget in September 2012 after the Secretariat-General, the Commission's department responsible for expert groups, broadly agreed to implement four conditions:

- No corporate domination of expert groups.
- No lobbyists sitting in expert groups in a personal capacity.
- An open call for public applications for all new groups.
- Full transparency of minutes, agendas, and contributions by the Commission.

As the formal review of rules for expert groups would not take place until 2015, MEPs and the Commission entered into an informal dialogue to make sure they found de facto ways of implementing the conditions without new rules. If the informal dialogue did not lead to the conditions being met, MEPs said, the budget would again be frozen.

The ALTER-EU report found that so far the informal dialogue has not worked: in all four areas for improvement the Commission has been found wanting.

Romano Prodi sees the light!

Prof. Romano Prodi was the Italian prime minister who prepared Italy for economic and monetary union in the 1990s, then presided over the launch of the euro as president of the EU Commission.

Now he is calling for a "Latin Front" to rise up against Germany and force through a reflation policy before the whole experiment of monetary union spins out of control.

Should Germany persist in imposing its contractionist ruin on Europe—"should the euro break apart, with one exchange rate in the North and one in the South," as he put it—Germany itself will reap as it has sown. "Their exchange rate will double and they will not sell a single Mercedes in Europe. German industrialists know this, but all they manage to secure are slight changes, not enough to end the crisis."

He warned that the EU policy regime has become "manically restrictive." The European Central Bank has become an enforcer of political pressure: it is not even trying to meet its inflation target of 2 per cent; it has abandoned its M3 money growth target of 4½ per cent and its twin-pillar monetary structure.

"The ECB needs to start recognising that Europe's problems are more than structural. It needs to stop using monetary policy as a lever for achieving structural changes and to end its contractionary policy. Today there is only one country and only one in command: Germany."

He said it has long been obvious that Italy cannot restore control over its public finances in recession conditions. "The debt-to-GDP ratio has been rising for three years despite austerity. It is a failed policy." (119 per cent in 2010, 121 per cent in 2011, 127 per cent in 2012, and 132 per cent in 2013, according to the International Monetary Fund's Fiscal Monitor.)

Italy is the only major country in the industrial world to run a primary budget near balance for more than seven years and a surplus this year of 2½ per cent of GDP. Yet the debt trajectory is accelerating upwards. The contraction of nominal GDP—the result of a quadruple whammy of tight fiscal, tight money, tight credit, and a Teutonic exchange rate—has forced Italy to service a rising debt burden on a shrinking economic base.

Prodi says Italy should be given a waiver on the €51 billion put aside in budget deficit calculations for EU bail-out policies, giving the country leeway for a mini-blitz on investment. Better still, the Maastricht Treaty should be changed to eliminate the 3 per cent deficit ceiling. "It is stupid that this has not been changed for twenty years. A 3 per cent deficit makes sense at certain moments, at other times it should be zero, at others 4 or 5 per cent." But instead of revising the Maastricht Treaty, Germany has rammed through the even stupider Fiscal Compact, locking Europe into twenty years of chronic deflation and depression.

Prodi says Germany cannot run a current-account surplus of 7 per cent of GDP (almost three times China's surplus) with an inflation rate of almost nil without at the same time blocking recovery.

But no amount of protest makes any difference. "It has no effect on German policy, because France, Italy and Spain lack any common approach, even though all these countries have identical interests." They have a majority of votes in the EU Council of Ministers; they have a majority on the ECB's Governing Council, and indeed on other bodies, such as the European Investment Bank, which could be mobilised for a Marshall Plan approach. They have natural justice, economic authority and the EU treaties on their side. They could employ their combined political power to impose a full fiscal and monetary reflation strategy on the EU.

Prodi says that nothing is being done to break the vicious circle. The issue has apparently become less urgent over the summer as Europe's recession touched bottom. A few "green shoots" allowed everybody to engage in another round of wishful thinking, but this is a trap.

The fact that Italy's Mr Euro is saying such extraordinary things is itself a sign of the tectonic rumblings in the Latin world.

Barroso fails to tackle errors in spending of EU funds

For the nineteenth year in succession the European Court of Auditors has failed to give its complete approval to the accounts of EU expenditure, and for the fourth year in a row the proportion of errors has increased.

Most errors concerned subsidies for rural development, environmental schemes, fisheries, and health, where 8 per cent of the accounts—almost one in every twelve—were found to be faulty.

The European Union spends a total of €138.6 billion annually, and the proportion of errors has grown from 3.9 per cent in 2011 to 4.8 per cent in 2012 (of which a small proportion, 0.3 per cent, is due to a new accountancy method). In 2010 the proportion was 3.7 per cent and in 2009 3.3 per cent.

The unlawful spending for the most part involves funds where the member-states are responsible for managing expenditure. Most errors are made by the funds for rural development, followed by regional policy, research, and agriculture.

European Solidarity Manifesto

An alternative solution to the euro crisis, or a wake-up call for the euro zone?

The "controlled" withdrawal of Germany, the Netherlands, Finland and certain other countries from the euro zone to "preserve the most valuable achievements of European integration." Sounds far-fetched? Yet a former EU commissioner for the internal market and services, Frits Bolkestein, is the latest prominent EU political figure to add his name to the "European Solidarity Manifesto," which calls for a "controlled dismantlement of the euro zone via the exit of the most competitive countries and an agreement on a new currency co-ordination system in Europe."

The manifesto has been circulating in elite EU circles since January. Its authors believe that "the euro zone, in its current form, is now a serious threat to the project of European integration." The signatories are European economists from the South, North and non-euro EU countries, from different backgrounds, who have occupied senior positions in business, academia, or government. They claim to be united by "concern about the future of the European Union and the well-being of Europeans in the times of growing divisions among European nations."

In response to those who claim that "the crisis is over" or who see "the green shoots of recovery," the manifesto describes the situation thus: "The southern countries in the Euro zone [and Ireland] are trapped in recession and cannot restore their competitiveness by devaluing their currencies.

"On the other hand, the northern countries in the Eurozone are being asked to compromise their values of prudent financial policies and act as 'deep pockets,' expected to finance the South through endless bail-outs. This situation risks the outbreak of serious social unrest in southern Europe and deeply undermines public support for European integration in northern European countries. The Euro, instead of strengthening Europe, produces divisions and tensions that undermine the very foundations of the European Union and the Common Market."

When the Northern states leave the euro zone "the euro may then remain—for some time—the common currency of less competitive countries. It would ultimately mean a return to the national currencies or to different currencies serving groups of homogeneous countries."

The authors claim that in the meantime "a weaker euro would improve the competitiveness of southern European countries and help them escape recession and return to economic growth. It would also reduce the risk of banking panic and the collapse of the banking systems in the countries in southern Europe, which would occur if they were forced to leave the euro zone or decided to do so due to internal public pressure prior to an exit from the eurozone of the most competitive countries."

In the long run "a new European currency co-ordination system aimed at preventing currency wars as well as excessive currency fluctuations between European countries" could be agreed.

The authors are even prepared to contemplate that, "in some of the southern countries, debt reduction (haircut) would be necessary. The scale of these reductions and the costs to creditors would be smaller, though, than in a situation where these countries stayed in the current euro zone and their economies suffered below-potential growth and high unemployment.

"In this way, the exit from the euro zone does not mean that the most competitive economies will not bear the cost of diminishing the debt burden of the countries in crisis. This will happen, however, in circumstances in which such assistance would help them to return to economic growth, as opposed to the current bail-outs, which lead us nowhere."

The manifesto reflects a serious ideological crisis among EU integrationists. The ideological gurus of the European Movement in Brussels and in the member-state bureaucracies knew full well that the single currency, which was sold to the public as a necessary complement to the single market, could not survive without a single EU state or quasi-state to back it. They knew that the EU critics who warned against such an outcome were right. Being unable to force through directly the EU political union they wanted, they hoped to use the inevitable crisis of the monetary union to force through the further centralising steps that a fiscal-political union would require.

Unfortunately for them, the euro crisis has come on top of a global banking crisis, which is far worse than they imagined. They have now to acknowledge that significant popular opposition has developed to a federal-style "transfer union," which would entail significant real resources being shifted across frontiers, and that such opposition has been strongest in Germany, Finland, and the Netherlands.

But the reality is that Germany gets big economic advantages from economic and monetary union, and within EMU the weaker EU countries can no longer use currency devaluation to defend themselves against German imports.