PEOPLE'S NEWS

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"The welfare of the people as a whole"?

"Ireland holds the undesirable position of being the only country currently undergoing a banking crisis that features among the top-ten of costliest banking crises along all three dimensions [fiscal cost, increase in debt, and output loss], making it the costliest banking crisis in advanced economies since at least the Great Depression. And the crisis in Ireland is still ongoing." (Luc Laeven and Fabián Valencia, "Systemic banking crises database: An update," IMF Working Paper, 2012.)

"The State shall, in particular, direct its policy towards securing … That in what pertains to the control of credit the constant and predominant aim shall be the welfare of the people as a whole." (Constitution of Ireland, article 45, "Directive principles of social policy.")

The bulk of the Irish elite are sleepwalking the country into an EU banking union. The European Council meeting on 19 and 20 December took significant steps towards the creation of this union, which has been correctly described as the most significant step in EU integration since the introduction of the euro.

Such a union would mean that the control of banks and banking would be shifted to the supranational level, so that big banks in the big EU countries could more easily gobble up the small banks in the smaller countries while simultaneously taking another step on the road to fiscal and political union. With Ireland having given up the power to issue money by joining the euro zone, advocates of banking union would pass control of credit to banks outside the country.

An EU banking union would progressively deprive national states of the ability to make banking and credit creation serve national developmental goals. It would make it impossible to insist that Irish banks should subscribe to its state debt.

Irish people do not need to be educated about the fact that we live under a system in which the interests of peoples and states are subordinated to those of bankers by the bulk of national politicians. This is now manifest in an immense burden of debt that now rests on governments, private citizens and business firms in countries such as Ireland. This situation has not been altered by the country's leaving the "Troika" programme.

Low-income workers, for instance, are heavily concerned about pensions, savings, and insurance. The burden of debt—both mortgage and personal—has become a permanent fixture of modern life. Meanwhile inequality has been exacerbated by bankers and financiers earning astronomical incomes while the cost of the crisis continues as a burden on society.

The crisis has been a systemic upheaval rather than just the result of poor regulation or of speculative excesses of finance. It was a crisis of financialised capitalism. The traditional role of the capitalist financial system is to support development by mobilising loanable capital, which is then advanced to industrial enterprises. Contemporary finance mobilises idle money to earn a large part of its profits by concentrating on financial transactions or lending to individual workers.

Under financialisation, the circulation of money penetrates into every niche, even the most minor, of social and personal life. Banks have transformed themselves. They have rebalanced their lending towards individuals; they have also turned to fees and commissions from operating in open financial markets, rather than earning interest from outright lending. In this way they have added investment banking to their usual commercial banking activities.

Meanwhile public provision in pensions, housing, education, health and so on has retreated, forcing people to seek private provision from banks and other financial institutions. Attitudes to debt and private financial gain have also changed, encouraging workers to borrow as well as to get caught in housing bubbles.

Also, large corporations in Ireland and more generally have been financing investment largely out of retained profits, while also being able to obtain external finance in open markets. They have become less dependent on banks; indeed they possess independent capacity to engage in financial operations for their own profit. Small and medium-sized businesses have not had this facility.

Rethinking the financial system is a systemic and political task for what is left of Irish democracy. Given the financialisation of our economies, reorganising finance could have major ramifications for both economy and society. There could be immediate benefits for workers and others in the form of employment, housing, education, health, and consumption.

More broadly, finance could be restructured in ways that facilitate greater popular control, thus helping the struggle to transform the economy in a progressive direction. It is glaringly obvious that democracy is absent from the financial sphere, with financial institutions being based on unbridled greed. The results for society have been catastrophic. There is also a strong but muted search for alternative ideas.

An EU banking union would perpetuate this process rather than laying the basis for a progressive and humane alternative. It should be vigorously opposed.

Brussels summit takes another step towards a European army: Lisbon in action!

British and French warplanes and other military resources would be handed over to the European Union under sweeping plans to create what many believe will become a "European army." The deal would pave the way for developing a new fleet of unmanned drones, promoting the deployment of EU rapid-response "battle groups" and drawing up new cyber-warfare and maritime security strategies next year.

Under the plans, the British air force's new Voyager refuelling aircraft is among the resources being earmarked for use by the EU under moves towards creating a European air force. Officials behind the policy argue that it is essential for the EU to develop its military capabilities in order to promote its status as a "global player." Efforts so far, which have included a recent EU training mission to Mali, in which Britain took part, are just "the beginning," they say.

According to the agreement, the leaders of the EU's twenty-eight member-countries declare that "cooperation in the area of military capability development is essential." They pledge to pursue a strategy of "pooling demand" for new military capacity and "harmonising" their defence requirements. Member-states that agree to the policy will enjoy "guaranteed access to capabilities developed by others," the document states.

"Defence matters. It guarantees the security of European citizens and contributes to peace and stability in our neighbourhood and in the broader world," according to the draft agreement. "Today, the European Council takes a strong commitment for the further development of a credible and effective Common Security and Defence Policy." It calls on member-states to deepen their defence co-operation and "make full use of synergies in order to improve the availability of the required civilian and military capabilities."

At the summit meeting the national leaders endorsed a detailed plan for military collaboration that was drawn up last month. This strategy includes work to "intensify" co-operation on the development of new unmanned drone aircraft, which are used in surveillance but could potentially be fitted with weapons.

The plan also urges "greater commitments" from EU countries on air-to-air refuelling and calls for "concrete improvements in EU rapid response capabilities including the EU Battlegroups, with the aim of developing a more flexible, multi-service suite of assets."

Meanwhile the secretary-general of NATO, Anders Fogh Rasmussen, encouraged EU leaders to make a commitment to new military capabilities and co-operation. "We need a Europe that is committed to security, we need a Europe that is outward-looking and taking on a global perspective," he said.

Merkel supports EU treaty change

Angela Merkel in a speech to the Bundestag before the EU summit appeared to be calling for changes to the EU treaties, saying, "Those who want more Europe also have to be prepared to review the competences … We have a situation in Europe where everyone says, 'We can do everything to evolve, but the one thing we can't change are the treaties.' I don't think we will develop a Europe that functions in this manner."

Head of EADS calls for EU drone budget

Tom Enders, chief executive of EADS, Europe's biggest arms and aerospace company, said the EU needed to commit money and to agree a time-line for developing and building a military drone if Europe is to narrow the wide gap with the United States and Israel.

Meanwhile EADS came under fire from shareholders in France and Germany over plans to cut 5,800 jobs. The company said a three-year reorganisation of its armaments and space activities would affect 4,500 jobs on its main payroll, of which 1,500 would be reallocated to the aircraft manufacturer Airbus and the helicopter unit Eurocopter.

Troika consultancies: another fiddle?

Alvarez and Marsal, Black Rock, Oliver Wyman, Pimco—ever heard of them? Bet not! But these financial consultancies have played a central role in all the euro-zone bail-outs and have so far invoiced taxpayers in Cyprus, Greece, Ireland, Portugal and Spain with a staggering bill of €80 million.

Their "independent" expertise is used by the Troika to decide how much countries or banks need so as to prevent a default. They are often hired without a public tender, posing questions on transparency and accountability, and are sometimes hired despite potential conflicts of interest that arise from links to investment funds and providers of other financial services. The consultancies also hire subcontractors, posing extra questions about who has access to inside information and how they use it. It seems that NAMA is only aping its masters!

Aside from local law firms, the subcontractors almost always include one or more of the "Big Four" accountancy companies: Deloitte, Ernst and Young, KPMG, and Price-Waterhouse-Coopers. The result is a golden circle of a dozen or so large firms with a *de facto* monopoly on handling EU bail-outs.

BLACKROCK®

In January 2011 the Central Bank of Ireland hired Black Rock Solutions, shortly after the Government applied for an EU-IMF bail-out of €85 billion. This is a small advisory unit within Black Rock, an American firm that in recent years has become the world's largest asset management fund, overseeing €3 trillion of its clients' wealth. It was hired to forecast how much Irish banks risk losing and to carry out a "stress test" on the Irish banking system. It got €30 million for the job while sharing the task with subcontractors, including another American firm, Boston Consulting Group, and Barclays Capital, a British investment bank.

But it got its bank forecast wrong. The Central Bank, using the consultancy's figures, expected bank profits to amount to €1.9 billion between 2011 and 2013, even in the worst case. But by June 2012 the banks managed to make only €0.4 billion. And did Black Rock give the money back?

The minister for finance, Michael Noonan, had earlier admitted that the selection procedure for Black Rock was not ideal, telling the Dáil that he skipped a public tender because of pressure from the Troika. "The Central Bank has informed me that in the light of the requirement under the EU-IMF programme to use consultants under a very tight deadline for urgent financial stability purposes, it was not possible to apply normal tender processes," he said.

The governor of the Central Bank, Patrick Honohan, merely stated that the selection procedure was rushed. "We have engaged some [consultancies] at high speed. It's amazing when you pay large sums of money how the best consultants in the world can come flocking," he told RTE on 1 March 2011.

BLACKROCK®

Dodgy forecasts aside, some TDs feared insider trading. Black Rock Solutions had intimate knowledge of the situation inside Irish banks, not just from its 2011 contract: Honahan also hired the firm to assist in the completion of the 2012 and 2013 reviews of the banks' capital needs.

At the same time its parent firm, according to a company statement in April 2012, had "client business in Ireland" worth "over €5 billion" and "assets domiciled in Ireland" worth €162 billion. Pressed by TDs earlier this year to reveal the extent of Black Rock's acquisitions in

Ireland since 2011, Noonan said the Central Bank "does not have the information requested" and that in any case "they [Black Rock] observe EU and Irish procurement legislation/requirements." One might wonder how he knows.

Seven months later Black Rock announced it would buy 3 per cent of the Bank of Ireland—one of the banks that its subsidiary, Black Rock Solutions, "stress-tested" in 2011.

Tom McDonnell, an economist with the trade union think tank Tasc, put it succinctly: "They are the biggest asset manager in the world, so it would give them a competitive advantage if they used that insider knowledge. This is not to say they have done it, but it creates a perception and the possibility or temptation to do it."

Of course the major consultancies and auditors are part of the same golden circle of bankers and government officials that caused the financial crisis in the first place; but you will have to make your own mind up regarding levels of fees and insider knowledge!

No comment is necessary!

Four former executives of the failed Icelandic bank Kaupthing have been sentenced to up to five years in prison for fraud. The bankers kept quiet about the fact that an investor bought a stake in the bank with money lent—illegally—by the bank itself days before it collapsed in 2008.

So what's the difference between Iceland and Ireland?

Partnership for Profits

As European and Canadian trade officials continue negotiating an investment protection chapter in the Comprehensive Economic and Trade Agreement between the European Union and Canada, civil-society groups are demanding that this section be removed entirely as an affront to democracy, an attack on an independent judiciary, and a threat to climate change and our shared environment.

Last May it emerged that a "fair and equitable treatment" clause had been inserted in a draft of the agreement that would outlaw any "breach of legitimate expectations of investors." The agreement has since been signed, though its details remain unpublished—the negotiations also having been conducted in secret.

STOP CETA
DON'T LET CORPORATIONS MAKE THE RULES

"Fair and equitable treatment" is a catch-all term, and the definition used in the CETA was particularly broad. It even protects what investors consider their "legitimate" expectations from "unpredictable policy change," so that a ban on a chemical found to be harmful to public health could be considered a violation of this provision. Investors will also be enabled to challenge scientific justifications of a policy and "arbitrary" or "unreasonable" relationships between a policy and its objective.

These excessive corporate protections, built in to thousands of investment treaties and free-trade agreements, serve no social or economic purpose other than undermining our democratic rights to decide public policy and public-interest regulation.

The EU commissioner for trade, Karel de Gucht, has admitted that a similar "investor rights" chapter is included in the projected Transatlantic Trade and Investment Partnership between the EU and the United States. International experience with investor-state dispute settlement includes that of Canada, where recent court cases under the North American Free Trade Agreement have challenged a moratorium on exploration for shale gas and two court decisions on the utility of a pharmaceutical patent. EU member-states are also feeling the sting of investor-state disputes, for example by the Swedish energy company Vattenfall against Germany's decision to phase out nuclear power.

In the United States the use of such clauses in the North American Free Trade Agreement has led to regulation-chilling cases, such as one $250 million (€191 million) case challenging a drilling moratorium in Québec. In the case of *Tecmed v. Mexico* a tribunal similarly ruled that Mexico had not acted "free from ambiguity and totally transparently" when a local government decided not to re-license a waste treatment plant because of environmental concerns.

Campaigners say that in 74 per cent of the cases where American investors have won in investor-state disputes, tribunals found a violation of fair and equitable treatment, and a fear lurks that similar undisclosed passages in TTIP could be used to attack environmental regulations in European countries.

The clauses would enable corporations to claim potentially unlimited damages in secret courts, or "arbitration panels," if their profits are adversely affected by environmental or consumer regulations. These investment cases are tried before business-friendly tribunals composed of corporate lawyers, and they bypass national courts and override the will of parliaments. Even expected future profits are subject to compensation.

Health campaigners and consumer groups have raised concerns that the free-trade deal could weaken regulations on health, banking, data protection and food safety through the back door.

Opposing investor-state dispute settlement is all the more important given the intention of the EU Commission to quickly conclude the Transatlantic Trade and Investment Partnership with the United States. The negotiating objectives for an agreement have little to do with free trade and everything to do with corporate power. TTIP risks being a partnership of those who seek to prevent and roll back democratically agreed safeguards in such areas as food and chemical safety, agriculture, and energy.

What the negotiations really aim for is a massive weakening of standards and regulations that are intended for the protection of people and our environment. Such rules are branded "trade irritants," making them seem like an annoying itch for the corporations that have to adhere to them. These companies would like to see them removed, irrespective of the fact that the very reason for the creation of these rules is to protect citizens, consumers, and nature.

If the CETA is signed and ratified with Investor-state dispute settlement intact, democracy will suffer while corporations gain new tools for frustrating any number of policies designed to protect the environment, public health, public services and the conservation of resources and, crucially, to make our society more sustainable and equitable. Citizens, not corporations, should determine the future of the economy and society.

Some final thoughts ...

"*We can't go mad again!*" (December 2013).

"*Retroactive bank recapitalisation,*" Mr Schäuble said, could be *"as difficult as a referendum in Ireland."* (October 2013).

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