PEOPLE'S NEWS

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Warmonger van Rompuy tells Munich conference: "We are ready to use military force"

In his opening statement to the Munich Security Conference, a yearly meeting of European and US security chiefs, on 1 February, the president of the European Council, Herman van Rompuy, after expressing his full sympathy and support for the Ukrainian demonstrators, stated: "Some people think Europeans are naïve, that we prefer carrots over sticks. Now, I am not saying that we cannot sometimes play our hand more strongly.

"I know the EU is sometimes looked at as somewhat of a Florence Nightingale—but we do not just send nurses and nutritionists, we also send judges and policemen, soldiers and marines. In fact we just decided to send in principle around 600 troops to Bangui. They will work side by side with those of France …"

This would be the first time since their creation in 2007 that a military unit of the EU Battle Group would be deployed under direct command of the Council of the EU, and it is an ominous development. "We clearly prefer diplomatic solutions," van Rompuy threatened, "but our countries are ready to use military force when necessary."

In his invitation to the EU Council meeting of 19–20 December, van Rompuy announced to the heads of state and government: "Before our first working session, the NATO secretary-general will share some thoughts with us ahead of the thematic debate that we will have on defence policy. I should indeed like us to have a strategic discussion on one of the major current challenges in the field of defence: what should we be doing, as Union and as EU Member States, to retain and develop the capabilities that are critical for our defence and our security, and how can we encourage more co-operation to reach this goal. After the discussion, we will adopt the corresponding part of the conclusions …

"Starting this year, Europeans will be launching new joint defence programmes, for cutting-edge drones, satellite communication, cyber defence and air-to-air refuelling, emphasising that it was the start of a process. All these tools," he said, "are at the service of Europe's interests and security."

Germany beats the drum

Just before the Munich Security Conference, Germany's foreign and defence ministers suggested the possibility of expanding EU military interventions. It is "rightfully expected that we will become involved," declared the minister of foreign affairs, Frank-Walter Steinmeier. Military means must not "be banned from consideration." The minister of defence, Ursula von der Leyen, chimed in: "Europe makes no progress in global power play" without military means.

These declarations continue a PR campaign that began immediately following the German parliamentary elections last September, aimed at damping down domestic opposition to more military interventions that Berlin is evidently contemplating. Military officials are pushing for EU battle groups to finally be allowed to enter combat. These units have been on stand-by since 2007 but have never been sent into action.

The next targets for intervention are African countries: the German foreign minister mentioned clearing out Libyan weapons depots.

Already von der Leyen has come out in favour of an expansion of joint EU military interventions. “Europe will make no progress in the global power play if some are always discreetly hesitating when it comes to military missions and others are storming ahead without co-ordination,” she declared, alluding to the years of German-French power struggle over EU military policy.

Germany must take on more “international responsibility” in the future—which means military missions, she said. “I got the impression in these few weeks that I have been on duty that we’ve lost time in looking at our own [German] forces instead of looking at the whole set of European forces.”

Steinmeier (a member of the Social-Democratic Party) has now followed suit with a similar declaration. A “policy of military reticence” should not be “misunderstood to be a principle of non-participation,” he announced. For Germany, “active foreign policy” is now on the agenda. Germany is “too significant to merely comment on global policy: it is rightfully expected of us that we will become involved.”

Von der Leyen’s and Steinmeier’s declarations are the tentative culmination of a PR campaign launched last September in the immediate aftermath of the German elections. It is aimed at securing a permanent, sustainable domestic basis for military missions by a German-dominated EU, which are obviously being contemplated for the next few years.

The president of Germany, Joachim Gauck, also rowed in. He told the Munich Conference that his country should put aside Second World War anxieties and play a bigger military role abroad. “While there are genuine pacifists in Germany, there are also people who use Germany’s guilt for its past as a shield for laziness. This gives Germany a questionable right to look the other way … Restraint can be taken too far.”

Looking back to Nazi times, he said: “The post-war generation had a reason to be mistrustful of the German state.” But “these are good times for Germany … There has never been an era like this in the history of our nation. We have to have confidence in our abilities, and we should trust in ourselves. By acting with other countries within the EU, Germany gains influence …”

He pointedly added: “Perhaps this could even lead to the establishment of a common European defence.” Gauck has made it clear that he considers EU military activities an “act of liberation.”

Soon afterwards a passage from the government’s Coalition Contract was leaked to the press. It states: “We want to actively help shape the international order … We stand at the ready, when our country is called upon to contribute to resolving crises and conflicts.”

Similar declarations have become more commonplace in the meantime. Parallel to these declarations a paper entitled *New Power: New Responsibility* was published in October and promoted throughout Germany’s foreign and military policy establishment. The paper calls for a "reassessment" of Berlin's global policy.

Military officials are pushing for EU battle groups to be deployed at the earliest opportunity. These are combat units of 1,500 soldiers, ready to be sent anywhere in the world within ten days. In a recent newspaper article a former inspector-general and chairman of NATO's Military Committee in Brussels and former chief of staff of the German armed forces, Harald Kujat, explained that the EU must "be better prepared for coping with crises and conflicts, particularly at the European periphery," if "the German government wants to abandon its culture of reticence and aspires to a European foreign and security policy pertinent to the country's size and its international importance." If "necessary, jointly maintained military capacities, such as the EU Battle Groups," should be deployed.

The focus for future EU military engagements is particularly on African countries. Repelling French advances in 1994, the German minister of defence at the time, Volker Rühe, declared that the Euro Corps is "not an Afrikakorps." Referring to Rühe's announcement, the German Institute for International and Security Affairs now declares that "the Euro Corps is (indeed) an Africa Corps."

In an interview, Steinmeier is raising the hypothesis of German intervention in North Africa—obviously by military means. "Do we want to clear out, secure or destroy weapons depots in Libya?" As the German ministry of defence announced, "the developments in Africa" should "be particularly highlighted" at the next Munich Security Conference in 2015.

These are important pointers to the future development of the EU, because where Germany leads, the EU generally follows. But they have been met with silence from Shatter and Gilmore and the government that they represent—a government that is slavishly complicit in ever-deepening federalisation and militarisation. As for the "opposition," they just can't wait to get into the same position.

There can be little doubt that the majority of Irish people would not wish to be part of the rush to militarisation now under way in the EU and its bigger member-states, if they knew about it. But they're not even told.

No to austerity! No to militarisation! Tell them they're not wanted here

The congress of the European People's Party will be held in Dublin on 6 and 7 March, in the Convention Centre, North Wall Quay. More than two thousand participants from thirty-nine countries have been invited to participate, including the EPP's twelve heads of state and heads of government—Angela Merkel (Germany), Mariano Rajoy (Spain), Traian Băsescu (Romania), Viktor Orbán (Hungary), Donald Tusk (Poland), Fredrik Reinfeldt (Sweden), Laimdota Straujuma (Latvia), Antónis Samarás (Greece), Jyrki Katainen (Finland), Pedro Passos Coelho (Portugal), and Níkos Anastasiádes (Cyprus)—as well as the presidents of the European Commission and the European Council, José Manuel Barroso and Herman van Rompuy, respectively.

The EPP is driving the agenda of austerity and militarisation in the EU, and this is an opportunity to let them know how we feel about their policies. Details of the arrangements for the protest will be circulated during the next week or so.

100, and still going strong!

Little did we think when we first published *People's News* in June 2004 that it would reach a hundred issues and still be going strong!

PEOPLE'S MOVEMENT
GLUAISEACHT AN PHOBAIL

PEOPLES NEWS – A Monthly News Digest.

How the Irish Government Continues to Weaken Irish Sovereignty in Draft EU Constitution Negotiations.

The Irish presidency's amendment document introduced some very significant changes to the original draft constitution that substantially extend the powers of the European Union, at the expense of member states. Yet none of the changes outlined here have been brought to the attention of the Irish public nor debated in the Oireachtas. Some of the most important changes are briefly outlined below:

FOREIGN AFFAIRS

One fundamental change is in the powers of the Union Minister for Foreign Affairs. Under the draft Article I-27, he is a Commission vice-president and is appointed by the European Council under Qualified Majority Voting (QMV). *Under the amended Art I-27 (3) he shall preside over the Council for Foreign Affairs.* In the original draft, he is responsible for "handling external relations and for co-ordinating other aspects of the Union's external action, but in the amended version this becomes: *"He shall ensure the consistency of the Union's external actions"*

So, to celebrate the hundredth issue, why not drop in to the Palace Bar in Fleet Street, Dublin (near the corner of Westmorland Street), on Friday 6 March for a pint or coffee and a chat. It's a chance to make new acquaintances and to renew old ones.

We'll be upstairs from 6 p.m., and—unusually—we'll have hard copies of issue no. 100.

Whatever happened to Charlie McCreevy?

In 2010, when the first Barroso Commission left office, there was a public outcry when six of the thirteen departing commissioners went almost immediately into the corporate sector or lobbying jobs, through the notorious "revolving door," provoking the risk of conflicts of interest. The scandal was so great that 52,000 people signed a petition to Barroso, and the ethical rules for members of the Commission were subsequently tightened up, although significant loopholes remain.

Charlie McCreevy was commissioner for the internal market. In the months after he left the Commission he became synonymous with the revolving door. His proposal to join the board of the new bank NBNK Investments, which aimed to purchase banking assets on sale in the aftermath of the financial crisis, was shocking, considering that McCreevy had been commissioner during a period of intense "liberalisation" in the finance industry, which contributed to the financial bubble, its collapse, and the continuing economic crisis.

Significant controversy arose over the McCreevy case, including critical media coverage and complaints by NGOs. In the end the Commission threatened to issue a "disapproval" for the role, leading McCreevy to ultimately withdraw. However, he seemed unabashed by this experience; and once the twelve-month period during which he should notify the Commission of new roles (according to the then rules) had passed, he joined the derivatives trading unit of the international investments company BNY Mellon. McCreevy had been responsible for deregulating derivatives markets while commissioner. No Commission approval was sought, or required, for this position.

In addition, McCreevy joined the board of Ryanair (which the Commission approved), where he advises on relations with the Commission, as well as the board of Sentenial (no Commission approval was sought, as the post was taken after the end of a twelve-month notification period). Sentenial offers technology to banks and other companies for dealing with the Single Euro Payments Area; according to Sentenial's web site McCreevy played a "pivotal role" in developing the EU's SEPA regulations while he was commissioner. Both these roles provoke a strong suspicion of conflict of interest.

The revolving-door moves of McCreevy illustrated the inadequacies of the then code of conduct for commissioners. The twelve-month notification period was later extended to eighteen months, and there is now a ban on lobbying and advocacy roles for the same period; but it seems unlikely that these reforms would have stopped McCreevy's troubling spins through the revolving door.

Always the man for a flutter, McCreevey also joined the board of Sports Direct International, Britain's leading sports retailer, where he sits on the Audit Committee and Remuneration Committee. He also finds time for Celsius Funds PLC, Grove Ltd, and Barchester Holdco (Jersey) Ltd.

It's surprising that he can find the time to collect his annual EU pension of €119,177.

Cheerleaders for austerity revealed

The Irish mass media are virtually unique in Europe, in that there are no left-of-centre news media in the country, with the result that the Irish media landscape lacks diversity, and since the beginning of the crisis most of what we read and see supports government and EU policy.

In fact it began even before the crisis. During the housing bubble the media looked the other way. On the few occasions that talk of a bubble appeared in the press or on television it was often to reassure us that there was in fact no bubble, and that, at worst, there would be a "soft landing." RTE's "Prime Time" screened more than seven hundred programmes between 2000 and 2007, but only 1 per cent of them dealt with the property bubble, according to research by the UCD geographical and political scientist Julien Mercille.

When the time came to deal with financial institutions, the infamous 2008 bank guarantee—very generous measures towards bankers when compared with measures taken by other EU countries—was cheered on in the media; but then, it was kind to the rich senior bondholders.

Some even asserted, with the usual hyperbole, that Irish financial ingenuity would become a model for other countries to emulate. After that, when NAMA was established, a good part of the media thought it was a good strategy, even though establishing such a "bad bank" is in fact one of the most regressive strategies available. A better policy in this regard would have been to establish a "good bank," as a few lone commentators recommended; but, glancing at the media, you would never learn or even know about it in any detail.

And as for giving up the euro, perhaps two writers raised this issue. No wonder we've had no debate!

When the EU-IMF bail-out became a reality, the media were somewhat apprehensive about the loss of sovereignty this would involve for the Irish elite, who feigned concern but really seemed more worried that they could not contain corporate tax at a *de facto* rate of 2 per cent while they planned to fleece ordinary citizens.

But still, when the forced bail-out did come to pass, it was endorsed by many as a lesser evil—or even as a good thing—because the IMF would be able to drive "reforms" that would otherwise face too much popular opposition for our politicians to handle.

On austerity, the same pattern emerges. Mercille looked at nearly a thousand editorials and opinion articles in five leading newspapers (*Irish Times, Irish Independent, Sunday Independent, Sunday Business Post,* and *Sunday Times*) between 2008 and 2013. He found that only 11 per cent of articles opposed austerity and 58 per cent supported it, while 32 per cent didn't voice a clear opinion.

Another problem is that the large majority of those who write in the media come from elite institutions that favour the status quo. For example, according to Mercille's study, 29 per cent of the writers of opinion articles in the press (excluding journalists) are mainstream economists, 28 per cent work in the financial or corporate sector, and 20 per cent are affiliated to the main political parties, all of which have supported austerity.

This means that the overwhelming majority of writers—77 per cent—come from elite political or economic institutions. Conversely, academics (excluding mainstream economists) formed only 9 per cent of writers, members of progressive organisations 7 per cent, and trade union representatives only 3 per cent. Conservative writers are therefore in a clear majority in the national discussion on the economy. They will not question the prevailing economic or indeed political orthodoxy, and seldom criticise EU policies or institutions. Nevertheless they are often graced with the appellation of "opinion-formers." But opinions can only really exist in a contested ideological environment, where real informed options are aired and their merits assessed by an informed public.

It is painfully obvious, and to our serious detriment, that such a situation does not exist in Ireland.

■ Julien Mercille's book *The Political Economy and Media Coverage of the European Economic Crisis: The Case of Ireland* is to be published this year by Routledge, London.

Towards a more authoritarian EU

There has always been a democratic deficit embedded in EU institutions. In addition, these institutions reflect to a large measure the politics and ideology of neo-liberalism. They are dominated by the interests of capital to an extraordinarily high degree.

The financial and sovereign debt crisis has been used to introduce a set of additional rules and institutions whose primary purpose is to further transform Europe in the image of capital. More and more political power is being transferred to the unelected EU institutions in Brussels. The European Union's only elected body, the European Parliament, has been sidelined from much of the process. The result is that the European Union is becoming more authoritarian at a frightening speed.

A number of political innovations are central to this process: firstly, the **European semester**, which means that national governments each year will have to submit their proposals for state budgets and structural changes to Brussels for approval, and the **Euro Plus Pact**, a deregulation and austerity pact that includes all euro countries and other EU states that have decided to join (Britain, the Czech Republic, Hungary and Sweden have remained outside it). Attacks on working hours, wages and pensions are part of the pact.

New economic governance, with six new laws, also called the "six-pack." The package is intended to provide the legal basis for implementing the dramatic austerity policies, including enforcement rules.

The **Fiscal Treaty**, which, according to Angela Merkel, is irreversible and which is better described as a Permanent Austerity Treaty. It includes (among other measures) the introduction of financial and other sanctions against member-states that do not comply with its requirements. It is an intergovernmental agreement and therefore not formally a part of the EU institutional framework.

The "**Two-Pack**," which adds further rules on balanced budgets and draconian fiscal rules on euro-zone countries. The entry into force of the Two-Pack also paves the way for further steps to be taken to reinforce the Economic and Monetary Union.

Confronted with these developments, the traditional labour movement appears perplexed and partly paralysed. Social democracy is in political and ideological disarray, reflecting a deep crisis in these movements. The trade unions have been stricken by the multiple crises and have been unable to curb the attacks made on them.

There is no such confusion in the ranks of big capital. The Union of Industrial and Employers' Confederations of Europe and the European Round Table of Industrialists exult over the new economic governance model for the European Union.

The EU as a barrier

Can this development be stopped? There is a growing realisation that the European Union creates a number of barriers to economic and social progress in Europe. The first barrier is the democratic deficit, which has been there from the very beginning but has increased in recent years. Officially, the message from the European Union and its member-states' governments, with the support of bodies such as the European Trade Union Confederation and other parts of the European trade union movement, is that the Lisbon Treaty took an important step towards increasing democracy by widening the authority of the elected European Parliament in a number of areas.

European Trade Union Confederation (ETUC)
Confédération européenne des syndicats (CES)

That was not the experience of countries such as Ireland, which has gone through administration by the European Central Bank and the European Commission, with support from the IMF. Furthermore, the Parliament has been sidelined in much of the process to develop the new governance for the euro zone. Finally, the new authority granted to the Commission to impose economic sanctions on member-states that do not follow the strict (and financially and politically damaging) stability criteria will transfer power from democratically elected parliaments at the national level to the unelected Commission and thus further de-democratise the decision-making process in Europe.

Neo-liberalism constitutionally triumphant

Secondly, the various treaties up to and including the Lisbon Treaty have given a constitutional authority to neo-liberalism as the economic system of the European Union. Capital's freedom of movement and right of establishment are carved in stone, and all other considerations are subordinated to this principle, which we have clearly seen in the labour market.

Free competition is another basic principle in the EU treaties. In recent years this has also increasingly been applied to the services market, which differs from the commodity market in the way that trade in services mainly deals with the buying and selling of mobile labour power. It has long been a common saying on the European political left that socialism is prohibited by the EU treaties; with the stability criteria, and the new sanction regime to force member-states' structural budget deficit below 0.5 per cent and government debt below 60 per cent of GDP, we can conclude that Keynesianism, or what we may call traditional social-democratic economic policy of the post-war period, is not allowed. This represents a dramatic curtailment of democracy in the EU member-states and is a major step towards a more authoritarian, neo-liberal European Union.

Irreversible legislation

Thirdly, the EU decision-making process makes these principles and decisions virtually irreversible. While all member-states have some institutionalised protection for their own constitutions—for example by requiring a qualified majority (either two-thirds or three-quarters) to change the constitution—in the European Union it has to be full agreement (i.e. 100 per cent of the twenty-eight member-states) to change it. This means that the possibility of changing any of the EU treaties in a progressive direction through ordinary political processes is virtually non-existent. *One* right-wing government in *one* member-state can prevent this.

The euro as an economic straitjacket

Fourthly, the existence of the euro, now in eighteen of the twenty-eight member-states, puts many of the countries into an economic straitjacket. As long as the economy and productivity develop differently in member-states of the euro zone, and there is no large common budget to reduce economic inequalities, countries will need quite different monetary policies. Today it is Germany, Europe's "economic locomotive," that benefits most from this, with its strategy of exporting its way out of the crisis. The most crisis-ridden and debt-ridden countries are the losers.

The latter have no national currency to devalue and thereby make their exports cheaper and imports more expensive. Those countries with higher domestic consumption and weaker competitiveness are forced to conduct a so-called "internal devaluation," that is, to increase competitiveness through wage cuts and cuts in public expenditure. This is certainly in line with the EU neo-liberal project, but it is devastating to the countries' economic and social development.

This economic straitjacket can also contribute to the development of contradictions between workers in countries in need of very different policies.

EU decision-making and implementation processes make opposition more difficult

Although much of the policy within the European Union is adopted by EU institutions, it is carried out in such a way that implementation is made at different times in different member-states. The attacks on pension systems, for instance, occurred over time and in different forms from country to country, based on recommendations from the European Union but not through direct legislation. This makes it impossible to create a single European mobilisation against these attacks.

The same applies to much of the EU's privatisation policy. The EU seldom makes decisions on direct privatisation: it decides to liberalise or to apply its competition rules to ever more areas of society. One of the effects is privatisation, as we have seen in energy, transport, and telecommunications. Further, the implementation of these policies takes place at different times and in different ways in different countries, thus making it difficult to mobilise co-ordinated resistance throughout Europe.

The very special legislation process constitutes further problems. Directives are not applied in the member-states directly but have to be "transposed" into the laws of each member-state. As if this is not enough, EU legislation is written in an almost impenetrable bureaucratic language. This reality is often exploited by national governments and politicians, who play down the effects of various legal proposals, which later turn out to have widespread negative effects.

The extended role of the European Court of Justice

Sixthly, the European Court of Justice has taken on a more extensive role in reinterpreting and effectually expanding the scope of some EU treaties and legislation, particularly regarding trade in services, that is, trade in mobile labour power.

In this context it is important to understand the application of the four judgements that were made between December 2007 and the summer of 2008—the Viking, Laval, Rüffert and Luxembourg cases—all of which contributed to limiting trade union rights, including the right to strike. Before these judgements the dominant view was that labour laws and regulations lay outside the EU domain: they belonged to the jurisdiction of the individual states. Through these four judgements the opposite has clearly been established: labour market regulations are subordinate to EU competition law and to capital's free movement and right of establishment.

Now they all want a bail-in … except our "partners" in Europe!

A senior official of the International Monetary Fund has said that it favoured a "bail-in" of senior bondholders during the Irish bail-out, but the position was not supported by its EU partners.

Addressing a closed meeting of the Economic and Monetary Affairs Committee of the EU Parliament, the IMF's director for Europe, Reza Moghadam, said it had supported the option to bail in unsecured senior debt in the case of Ireland, but the EU members of the Troika did not agree, believing it would have caused problems for other sellers of debt on the markets. They also expressed a fear that such a move would spark "contagion" and could undermine the euro.

Moghadam was addressing the committee as part of a continuing inquiry by the Parliament into the activities of the EU-ECB-IMF Troika. His comments come a month after the former head of the IMF mission to Ireland, Ajai Chopra, said Ireland could have saved billions if it had been allowed to "burn" bondholders. Significant benefits would have accrued to the Irish taxpayer if senior bondholders in Anglo-Irish Bank and Irish Nationwide had been burned, he said.

Earlier this month the president of the Bundesbank, Jens Weidmann, said Germany had supported Ireland's preference for burning senior bondholders in 2010 but was blocked by the European Central Bank. The Bundesbank was "all but alone" in supporting Ireland against the ECB, but the majority of the Governing Council backed the then president of the ECB, Jean-Claude Trichet, Weidmann said.

Ireland's obligation to protect bondholders during the financial crisis has emerged as a central strand of the Government's argument for further debt relief from its EU partners, as it seeks retrospective direct recapitalisation for

AIB and Bank of Ireland through the euro zone's ESM fund.

In a letter to the Economic and Monetary Affairs Committee last month Michael Noonan stressed that the option of burning bondholders was not available to Ireland during its bail-out discussions. "At the time of our banking crisis," he wrote, "the option now being seen at a EU level—bailing in the senior bondholders—was not available to the Irish authorities and meant that the burden had to be shared by the equity holders, the junior bondholders, and particularly the sovereign, which latter ultimately meant the Irish taxpayer."

The Economic and Monetary Affairs Committee is due to present its report into the Troika's activities before the end of the EU Parliament's tenure in May.

Disagreements between the IMF and its EU partners on the structure of the bail-out programme are not confined to Ireland. An IMF report last year strongly criticised the EU authorities' handling of the first Greek bail-out in 2010, arguing that Greece's debt restructuring could have been implemented in early 2011.

We're all corrupt—except the EU!

The EU Commission has decided not to include a chapter on EU institutions in a report on corruption, even though the original plan, announced in 2011, was to assess corruption among the member-states and within the EU institutions.

The commissioner for home affairs, Cecilia Malmström, released the first biannual report six months later than planned.

The Commission had considered assessing the anti-corruption efforts of the EU's own institutions but "realised that this is something we will have to come back to in a future EU anti-corruption report—to be sure that the evaluation would be satisfactory and objective."

A spokesperson said it would be difficult to provide an objective self-evaluation, because, unlike the situation in member-states, there are no independent external reviews that the Commission could draw on in evaluating its own institutions. "Nor do we have a lot of academic research on anti-corruption measures within the EU institutions," he said.

Commission expert groups and an EU-wide corruption risk report by Transparency International in 2012 contributed to the wider 28-country report. The Commission's expert advisory group on corruption reviewed sections on some of the country-specific chapters; but it did not see a draft on the EU institutions.

Meanwhile Transparency International in a report earlier this month found that the Commission has a poor record on banning corrupt companies that abuse EU funds. It noted that in recent years the Commission has banned only one company among all its spending programmes. "The commission blacklisting system is not working," notes Transparency International's web site. "That may be understatement. It appears to be completely toothless." The organisation is soon to issue its own assessment on the risk of corruption in the EU institutions.

The story of the painful 3 per cent deficit limit

Back in the heyday of the euro-zone crisis the French newspaper *Le Parisien* interviewed Guy Abeille (pictured), a senior official at the French Ministry of Finance, who is thought to have "invented" the 3 per cent deficit-to-GDP limit later enshrined in the EU treaties and as the cornerstone of the famed Stability and Growth Pact. Here in Ireland it resulted in the "dirty dozen" cuts, including the closure of hospital wards, as Charlie McCreevy bullied his way towards a target that would ensure our subsequently disastrous adoption of the euro.

Abeille made some rather extraordinary revelations. "We came up with this number in less than an hour. It was born on the corner of a table, without any theoretical reflection … It was a night of May 1981. Pierre Bilger, the Budget Director at the time, summoned us. He told us: Mitterrand wants us to provide him quickly with an easy rule, that sounds as coming from an economist, and can be opposed to the ministers that walk into his office asking for money.

"We needed something simple … We were going towards a 100 billion franc deficit. That represented a deficit of over 2 per cent of GDP. 1 per cent? We dropped that number, impossible to achieve. 2 per cent? That put us under too much pressure. 3 per cent? It's a good number, a number that has gone through the ages, it made one think of the Trinity. Mitterrand wanted a rule; we gave him one."

In other words, it seems that the deficit rule that has caused so much pain, especially in the euro-zone periphery, was cooked up in less time than it takes to roast a chicken and wasn't based on any economic theory or even best practice.

We also can't help but be reminded of the famed response of a senior official of Anglo-Irish Bank when asked how he came up with the original bail-out figure for the bank (which proved far too low): "I picked it out of my arse."

Quite. And it seems he wasn't the first either.

German political parties fail to criticise new belligerence

Fifteen years ago, in 1999, the European Union decided to create an armed force of 60,000 soldiers; if rotation is accounted for, this meant more than 150,000 trained soldiers. It was stated that they would be deployed only within a radius of 4,000 km from Brussels; but they have already been sent to the Congo, 6,200 km away, as well as on almost thirty other missions.

The strongest member of the EU is Germany, which also has the third-largest component of the world's arms trade. Actually Germany's constitution set up armed forces only for the purpose of defence. But then in 2002 the minister of defence, Peter Struck (Social-Democratic Party), in explaining why troops were to be sent to Afghanistan, said: "The security of the Federal Republic of Germany is also being defended at the Hindu Kush."

This kind of "self-defence" has been interpreted ever more expansively since German unification. Within a few weeks of taking office the new minister of defence, Ursula von der Leyen, showed how far this elastic term could be stretched. In an interview with *Der Spiegel,* after justifying "humanitarian" military missions in Africa, she criticised the policy of military restraint (as in Libya) of the former minister of foreign affairs, Guido Westerwelle: "Europe will not move ahead in the match of global forces when one side always observes decent restraint in the question of military engagement while the others storm ahead with no questions asked."

In the long run, she said, the national armed forces within the EU should be replaced by European forces. “I believe that joint armed forces will be the logical result of an ever stronger military co-operation in Europe.” Where will this “ever stronger military co-operation” be employed? German soldiers and sailors in Mali and the Central African Republic, in the waters off Somalia and Lebanon and at rocket sites on the Syrian border in Turkey might perhaps be clues.

The Social-Democratic Party, now part of the government coalition, and most leaders of the Green Party, who share opposition seats in the Bundestag with the Left, support such increases in military strength and deployment, whether carried out in German uniforms or as part of the EU.

At its recent conference in Hamburg, Die Linke (the Left Party), following right-wing media pressure out of all proportion to the party’s size and influence, and at the behest of its leadership, dropped a number of crucial words from its EU election manifesto. The words described the EU as a “neo-liberal, militaristic and largely undemocratic power.” The party leadership tried to put a gloss on what was a fairly obvious piece of opportunism by arguing that EU integration is in fact a socialist project!

Big bankers laughing all the way to the banking union

In late 2013 the EU took a major step towards a “banking union.” This has been presented as a series of measures in response to the financial crisis to avoid a repeat of the lethal mixture of contagious risk and bailed-out banks.

The figures are mind-boggling. In response to the financial crisis, member-states had rushed to take on massive debts to save toxic banks. €4½ trillion had been risked for bail-outs; and the final bill was running at €1.7 trillion. Not only had this sent national economies spiralling downwards and set off a public debt crisis, it also led to a regime of harsh austerity policies, imposed by the EU institutions and the IMF as conditions for loans.

With that in mind, the banking union seems heaven-sent. It is claimed that it will make the banking industry safe, and should there be problems a new system would ensure that failed banks are wound down in an orderly manner, with expenses paid by the banks themselves and only a minimal cost to the public purse: an end not only to financial instability but to austerity loan programmes as well.

The support or creation of European megabanks, second to none globally, is still an important EU objective, and the principal method for supporting their growth is deepening the single market, i.e. liberalising internally. If the same rules apply everywhere, and all obstacles to the expansion of banks are done away with, the kind of “level playing-field” created is one that will enable the biggest to assert themselves in the market. This reflects one of the principal objectives of

European integration since the launch of the "Financial Services Action Plan" in 1999: to build a deeply integrated single market for financial services.

For that reason the banking union has not been seen by the banks as a challenge but rather as an opportunity. It is to make sure that the liberalisation already accomplished in the industry is locked in, and that it paves the way for further market-based integration.

The banks have been very active on the lobbying scene since the banking union was first proposed. Now that we can clearly see the contours of the new and more integrated banking regime, it seems in many ways that they have been successful in pushing for their priorities, which, needless to say, are not identical to the interests of the average citizen.

The banks' lobbying groups have been part of the process of creating the banking union every step of the way. The European Banking Federation has even played a role in forming the proposals of the Commission, including the latest, the Bank Recovery and Resolution Directive, which mentions a special working group set up by the federation to "support the work of the Commission."

Erik Nielsen, chief economist at Unicredit, spelt out what the big banks see as the main advantage of a euro-zone regulatory system. "Several national supervisors now restrict capital movements to the periphery, occasionally forcing repatriation of capital and exacerbating the differences in monetary conditions between euro-zone countries." (*Financial Times,* 4 September 2012.) In other words, the banking lobby is keen to ensure that the banking union avoids these types of regulatory scenario and that the EU stays the course towards liberalisation.

And its priority is to ensure that market-based integration continues, as the words of the Association for Financial Markets in Europe (a group of big European and American banks) demonstrate: "AFME believes banking union is a vital project for Europe, which should advance market integration, strengthen financial markets and enhance confidence in the EU economy." (Press statement, 18 October 2012.) To AFME the banking union is a "major advance in market integration." (EU Commission, Impact Assessment, BRRD, June 2012, p. 86.)

But far from being a means of preventing future public bail-outs and austerity, Europe's new rules for banking union are a victory for the financial industry, allowing it to continue business as usual. It is a matter of fact that the big banks and their lobbying groups are enthusiastic about the banking union, and have been from the beginning.

Merkel again calls for EU treaty change

Readers must be weary of our reports of repeated calls emanating from Berlin for changes in the EU treaties; but Angela Merkel has done it again. "We need to further strengthen the EU institutions to set up a real economic union," she said. "In a real economic union we won't get around further commitments, and I'm convinced for that we also need to further develop the EU treaties."

But perhaps the real intention was demonstrated in a later statement from the German minister of finance, Wolfgang Schäuble, when he stated that he "can envisage" a separate parliament for euro-zone countries. "We must improve European integration in an intelligent way," he said, "and preserve it by changing the treaties.