Repudiate the bankers’ debt now!

FOREIGN banks and creditors should lose everything they gambled on banks such as Anglo-Irish. We should repudiate their debt, but instead they are being saved by the taxpayer at the behest of a useless Government and equally useless main opposition parties, the political elite of this country.

The Irish state is not insolvent: rather the Irish banking system is broke, and we must move to divorce the banks as soon as possible, rejecting the enormous debt that has been foisted on taxpayers. Instead of negotiating for the taxpayer, the Government chose to sacrifice the last vestiges of sovereignty and to negotiate against us.

Not only did our own financial regulator turn a blind eye to reckless lending in the domestic market but the European Central Bank is similarly guilty of allowing particularly German and French banks to indiscriminately lend to the Irish banks so they could fund the speculative splurge—and they’ve got clean away with it!

The ultimate irony is that these same German and French banks will now lend money to the EU to lend to us and will make a profit on the interest the Irish taxpayer has to pay back. Instead we should refuse to pay these outrageous debts that we had no part in creating and let these banks fend for themselves. They gambled and lost.

And in a move that will cost this country dear, discussions have begun on a mechanism that would ensure that no other country in the euro zone would have to suffer this kind of trauma again. It is expected that this deal will be concluded at the European Council meeting later this month, creating a very visible two-tier Europe: peripheral Ireland and Greece and then the rest. So, our Government has signed up to a deal that will be the last of its type to be accepted by any European government and, in the process, condemned their own people to at least a decade of penury.

There is no record of the IMF ever granting a loan where there was not debt forgiveness; so the conclusion can only be that the EU and ECB insisted on saving the French and German banks, and that our government bent the knee. The country cannot meet an interest rate of 5.8 per cent—higher in the case of the EU portion of this forced loan—without enormous hardship being inflicted on the people.

Our present outstanding debt is in the region of €90 billion. If we use the total €85 billion we will have a national debt of €175 billion by the end of 2014 and will be required to pay an interest bill of at least €8½ billion per annum. With a ratio of debt to GNP above 100 per cent, our growth will have to be in the region of an unrealistic 8–10 per cent in 2014 for the economy just to stand still.

Our growth levels just cannot be sufficient to meet the interest payments: the following year’s growth would be lower, there being less investment, interest payment more difficult, resulting in less growth, until a huge default becomes inevitable.

Why are we waiting, throwing good money after bad? There is no other solution than to repudiate this bankers’ debt. It is an EU and ECB problem, so let them solve it.

We are not alone. A number of peripheral countries face similar problems to ours. We know that the big powers in the EU, particularly France and Germany, meet outside the European Council to agree policy positions. Our Government should similarly convene meetings of periphery EU member-states in order to formulate a common approach to their broadly similar problems.

Top of the agenda should be the organising of
an orderly and structured withdrawal from the euro zone.

A return to national currencies would enable Ireland to deal with its lost economic competitiveness through a currency devaluation—which would be expected anyway in such circumstances. That way all citizens would share the burden, not just workers and the poor and vulnerable.

Foreign debts incurred in euros, and the exchange rate at which they should be translated into the restored national currencies, could be concerted with the other peripheral countries. We could begin by engaging in a structured default, a route being increasingly advocated by Irish economic commentators, and indeed by Angela Merkel.

Though these measures would be difficult in the short term, they would stimulate the domestic economy, giving us a competitive advantage, and counter the mass unemployment and emigration that are increasingly our lot. These exceptional times require extreme solutions!

It is the first duty of the state to protect all its citizens. We need to break whatever EU rules and treaties are necessary in order to protect the interests of the Irish people, and to set about a fundamental change in economic policy and direction.

The People’s Movement held a well-attended demonstration on 6 December. It began outside the EU Commission offices when members posing as Angela Merkel and Sarkozy emerged with the Irish budget. This set the theme of the demonstration: *Made in Brussels—Packaged in Ireland.*

The protesters then walked with the budget to the Dáil, where a meeting was held and the budget handed in for the attention of Cowen and Lenihan.

**People’s Movement and Irish Fishermen’s Organisation meet Fisheries Commissioner and EU Parliament Fisheries Committee**

A delegation of the People’s Movement and the Irish Fishermen’s Organisation met the EU Commissioner for Maritime Affairs and Fisheries and members of the EU Parliament Fisheries Committee in December. The meeting was organised under the auspices of ROSA (Reclaim Our Seas Alliance)—an alliance of fishing groups from England, France, Northern Ireland, Scotland and the Republic supported by the People’s Movement, united in a campaign to halt the economic and social decline suffered by fishing communities caused by the Common Fisheries Policy. The People’s Movement was represented by Kevin McCorry and Councillor Thomas Pringle.

ROSA represents a new strategic direction for fisheries policy that would give member-states with an interest in a particular fisheries area the primacy in deciding the right policy for that area.

Reform of the EU’s disastrous Common Fisheries Policy will be by way of “regionalisation” was the message of the EU Commissioner for Maritime Affairs and Fisheries, María Damanáki. However, ROSA welcomed the recognition by the commissioner that the EU’s top-down centralised micro-management of fisheries has failed in relation to biological and ecological sustainability, matching fishing capacity with fishing opportunities, establishing clear and fair levels of compliance throughout the EU, and bringing in the necessary local experience, knowledge and expertise of the industry to improve fisheries policy.

ROSA’s initial reaction is to be sceptical about whether regionalisation would really provide a lifeline to an industry being rapidly destroyed, and communities devastated, by the present CFP set-up.

The concept raises many questions. For example, EU treaties recognise only two players: the EU and member-states. The EU integration process has involved a massive transfer of power from the member-states to the EU. The CFP is
just one manifestation of this process. There is no indication that the EU authorities want to halt or reverse this process. Neither, under the EU treaties, can they “devolve” powers to regional bodies, unless they rewrite the treaties.

Decision-making powers must be repatriated to the member-states as a basis for a series of regional fisheries management arrangements between the relevant member-states. ROSA firmly believes that what is required is regional co-operation between the relevant maritime states on such vital issues as conservation and discard reduction.

What's the difference between Iceland and Ireland?

EVERYBODY has heard the joke, but now Iceland has emerged from deep recession after allowing its currency to plunge and ridding itself of private bank debt. Would Ireland suffer less damage if it adopted the same strategy?

Iceland’s economy grew at 1.2 per cent in the last quarter and is likely to rebound next year. It ends a slump caused Landsbanki, Glitnir and Kaupthing, the trio of banks that collapsed Iceland’s financial system in 2008. The economies of both Ireland and Iceland contracted by around 11 per cent of GDP. Iceland has achieved it with inflation that effectually devalues debt, but Ireland has done it under an EMU deflation regime that raises the burden of debt.

This has led to vastly different debt dynamics. Iceland’s budget deficit will be 6.3 per cent this year, and soon in surplus: Ireland’s will be 12 per cent (32 per cent with bank bail-outs) and only slightly better next year.

Importantly, the pain has been distributed very differently. Irish unemployment has reached 14.1 per cent, and is still rising; Iceland’s peaked at 9.7 per cent and has since fallen to 7.3 per cent. The IMF said Iceland has turned the corner, even praising the country for safeguarding its “valued Nordic social welfare model.” Iceland’s total debt will peak at 115 per cent, before dropping to 80 per cent by 2015. Meanwhile Ireland’s debt will continue rising for another three years to 120 per cent of GDP.

The president of Iceland, Ólafur Ragnar Grimsson, irritated EU officials last month when he said his country was recovering faster because it had refused to bail out creditors. “The difference is that in Iceland we allowed the banks to fail,” he said. “These were private banks, and we didn’t pump money into them in order to keep them going; the state should not shoulder the responsibility.” Iceland famously agreed in a referendum to reject a scheme for repaying most of its debts that were once worth eleven times its total national income.

In contrast to Ireland, Iceland’s taxpayers refused to foot the bill for the debts accumulated by the banking industry. Bondholders were told to accept dramatic reductions in the value of repayments on bank debt after the industry borrowed beyond its means to fund ambitious investments abroad.

The country’s bank debt remains with the failed lenders, whose creditors have yet to recoup $85 billion (€64 billion). Deciding who should bear the cost of banking failures was becoming a “burning” question in Europe, Grimsson said. The comments came just as the EU authorities were ruling out investor “haircuts” in Ireland, making this a condition for the forced loan. The Irish Times reported that EU officials “hit the roof” when Irish negotiators talked of broader burden-sharing.

The Nobel prizewinning economist Paul Krugman has added that Iceland has been able to recover sooner because it never joined the euro.

“Iceland devalued its currency massively and imposed capital controls. And a strange thing has happened: although it experienced the worst financial crisis (anywhere) in history, its punishment has been substantially less than that of other nations,” he said. Two years later the krona is down 30 per cent, aluminium smelters are working full time to meet export demand, and local produce has displaced imports.

Yet the underlying tale of Ireland and Iceland is that a devaluation shock might cause a violent crisis that looks and feels terrible while it is happening; but the slow burn of a policy of austerity and debt deflation advocated by the EU and ECB does more damage in the end.

And that’s the difference between Iceland and Ireland.
EU establishes a permanent euro-zone bail-out fund

Too late for Ireland—though there may be a referendum!

The text of the EU treaty amendment on the permanent crisis mechanism for the euro is a simple two-sentence statement that gives euro-zone states the power to establish the facility. The amendment would give a legal basis to a permanent mechanism for resolving euro debt crises. The fund would be available after 2013 and would include investors taking losses in future bail-outs.

On the insistence of Germany, the fund will be activated only “if indispensable to safeguard the stability of the euro as a whole.” It is not yet clear what size and scope the new bail-out mechanism will take, with the details expected to be decided during 2011. Calls for increasing the size of the existing bail-out fund and introducing common euro-zone bonds were rejected at the summit.

EU officials believe the revision may not necessitate another referendum in Ireland. The draft amendment states: “Member states whose currency is the euro may establish amongst themselves a stability mechanism to safeguard the stability of the euro area as a whole. The granting of financial assistance under the mechanism will be made subject to strict conditions.”

A spokesman for the Department of Foreign Affairs said the question was whether, if there was no transfer of competence, there would be a need for a referendum. He said—seeming to suggest that we should have had referendums—that it was worth bearing in mind that there were some aspects of treaty change that have been effected in Ireland without a referendum. He cited the accession of new member-states in 2004 and 2007.

The new permanent rescue mechanism will be established under the “simplified revision procedure” described in article 48 of the Lisbon Treaty. We always feared that the EU would stretch this clause to ratchet up its powers. Article 48 can be used only if it does not expand the powers of the EU; but the crisis mechanism clearly does, because it allows the Commission to make important decisions about the future of countries in trouble.

The Wall Street Journal argues: “Voters deserve a say on creating a permanent bailout fund... But at the same time, we are assured, no messy referendums will be necessary to ratify the change because this amendment won’t transfer any new ‘competences’ to Brussels. This is typical Brussels doublespeak. If the EU didn’t need new powers to create a bailout mechanism, it wouldn’t need to amend the treaty that governs the union... At a minimum, the Commission’s proposal calls for a serious debate with the 330 million citizens who will ultimately foot the bill.

“However, if the decision to revise the treaty reflects German judicial power, the Irish judiciary may yet have an important say in the matter. The final text and the revision procedure have been agreed by EU leaders, but that’s only the first step... The ultimate decision may rest with the courts.”

Germany predicts EU “political union” in ten years

The German Minister of Finance, Wolfgang Schäuble, has said his country is willing to discuss the greater harmonisation of euro-zone tax policy, and that the next decade is likely to see Europe take significant steps towards closer political union.

Germany has previously opposed calls for a fully fledged fiscal union within the euro area, but this position appears to be softening. “The basic decision was for fiscal and budgetary policy to be decided on the national level. If that is to be changed, then we can talk about it,” Schäuble said in an interview with the magazine Bild. “In ten years we will have a structure that corresponds much stronger to what one describes as political union.”

Meeting in the German town of Freiburg, the French President, Nicolas Sarkozy, and the German Chancellor, Angela Merkel, also said that euro-zone leaders must draw a fundamental lesson from the current debt crisis and take steps towards political integration, including the harmonisation of tax policies or labour law.
These initiatives would foster greater convergence of euro-zone economies and “show this is not just about currency issues but also about political co-operation, which has to be deepened,” said Merkel.

Swedish unions say the euro crisis should be used to put a check on the ECJ

Landsorganisationen i Sverige

THE chief legal counsel of the biggest Swedish trade union federation, the Landsorganisation, says that the Swedish government should use negotiations over EU treaty changes in the wake of the euro crisis to introduce checks on the European Court of Justice.

He argues that at the moment “EU law can be used against almost all laws in member-states, and it takes precedence over national law . . . EU leaders need to create a constitutional council with representatives from the member-states. A member-state could then appeal against a ruling by the ECJ in order to get an issue of high national importance tested in a political context.”

EU calls fresh stress tests
—but too late for Ireland

EU Observer reports that the European Commission has announced fresh stress tests to be carried out on European banks next February after similar examinations this summer failed to spot huge problems at the heart of Ireland’s financial institutions, ultimately forcing the Green-FF coalition to accept an EU-IMF bail-out last month.

The Commissioner for Economic and Financial Affairs, Olli Rehn, defended the earlier tests and insisted that Ireland’s banking meltdown was a one-off case that would not be repeated elsewhere in Europe. He conceded, however, that some lessons should be learnt after Irish banks passed the July tests, insisting that the new examination would be “even more rigorous and even more comprehensive. The scope and the methodology of the exercise are currently under discussion but of course we shall draw lessons from the exercise of earlier this year, for instance a liquidity assessment needs to be included in the future stress tests.”

He stated that the “fullest possible transparency” was needed when the new tests were conducted and appeared to lay part of the blame at Ireland’s door after firms such as Allied Irish Banks sailed through the July examination only to be found wanting several months later.

“From January onwards we will have a new [European] regulatory and supervisory architecture of financial markets and the banking system which will provide more rigour from the European point of view,” he added. He also said that Anglo-Irish Bank escaped the summer shakedown as it had already been nationalised at that point. Indeed!

With investors spooked by earlier announcements from Angela Merkel that taxpayers should not be the only ones to shoulder the bail-out burden, the ministers said that new collective action clauses would ensure that future bail-out recipients could be forced to reduce bondholder returns, but only once the permanent mechanism came into force in 2013—once again too late for Ireland, which seems destined to become a sort of EU economic laboratory.

This, said Rehn, was why holders of senior bonds in Irish banks had not been asked to accept a “haircut” following the granting of the €85 billion bail-out to Ireland. “We wanted to give a signal that [when] we said there would be no private sector involvement before 2013 . . . We wanted of course to practise what we preached, and therefore no senior debt was considered to be restructured.”

A third of young people planning to emigrate

ONE in three people aged between eighteen and twenty-four is planning on emigrating in the next year, according to a new opinion poll by Lansdowne Milward Browne for the Irish Examiner. More than 65,000 people left Ireland over the past year, the highest figure since 1989.
With little faith in the future of the country, and with at least four tough budgets to come, the numbers looking for work abroad are likely to accelerate next year. More than half have had their pay cut, one in five said they were struggling to pay off their mortgage, while 62 per cent said they were worse off than this time last year.

Emigration is most popular among single people, but 2 per cent of those over the age of sixty-five also said they were planning to leave the country over the next twelve months. Unlike periods of mass emigration in the 1950s and 1980s, those leaving Ireland are now slightly older and vastly better qualified.

New emigrants may also be less likely to return, because maintaining a psychological connection with home is much easier these days as a result of advances in technology.

Judgement on Lisbon Treaty from Danish Supreme Court on 11 January

Press release from the Danish People’s Movement

On 14 December 2010 two days of procedure ended in the Danish Supreme Court concerning the question whether Danish courts will decide if the Danish parliament’s ratification of the Lisbon Treaty was unconstitutional and whether there should have been a Danish referendum.

The Danish Supreme Court announced that there will be a judgement concerning the case on Tuesday 11 January 2011.

It will be a judgement with great legal and political impact. Surprisingly, the government’s lawyer (Junior Counsel to the Treasury) claimed after referring to the Danish Constitution, paragraph 3, that no Danish court has the right to decide if the Constitution is being respected or violated when laws are passed. He said this despite the fact that the courts have done this several times since the 1920s, and twelve to fourteen years ago the courts were looking at the compatibility of the Maastricht Treaty with the Danish Constitution.

For the sake of democracy we must hope that the Supreme Court does not agree with the Government’s lawyer, because then no one in this country will know if the people were entitled to have a referendum, and it would mean that the third power—the courts—would have no authority in relation to the foundation of Danish democracy, the Danish Constitution.

Hopefully the judges of the Supreme Court will see this more clearly than the government’s lawyer and will support the view that it was not an exception when the Supreme Court in 1996 decided upon a similar constitutional case.

11 January will be an epoch-making day!

To default or not to default

Or is it inevitable?

ANDY Storey has recently pointed out that “it is one of the ironies of the current crisis that some of the most radical proposed responses are coming from relatively mainstream economists—both Irish and international.”

He goes on to provide evidence and comment in a very useful paper. It can be found at http://politico.ie.

See also the Afri report “The IMF and Ireland: What we can learn from the global south.”

And finally . . .

- David Humphreys and Steve O’Callaghan, academics at University College, Cork, have noted: “Popular consensus would appear to view the IMF as a ruthless cost-cutter with scant regard for social cohesion. However, recently the IMF’s approach has evolved towards a balance of fiscal consolidation while maintaining basic social protections. The EU, in contrast, has insisted on more severe austerity measures, overriding IMF concerns,” which are probably “a matter of significant importance for Ireland.”
- The Minister for Justice, Dermot Ahern, has claimed that the European Central Bank used media leaks to put “quite incredible pressure” on the Government and “bounce” it into accepting the €111bn bailout loan.
- Hands up those who remember the concept of a two-speed Europe! Now, following the
publication of new growth forecasts, the EU Commissioner for Economic and Financial Affairs, Olli Rehn, has admitted that a two-speed euro zone might be developing. “It has to be admitted, there is a certain dualism in Europe,” he said.

- The Observer (London) has argued that “the terms Ireland’s new rulers in the EU have imposed on their subjects are inexcusable. It is hard to tell which is worse: the stringency of the EU’s demands or the immorality that lies behind its choice of targets.”
- The Guardian (London) reported that during the European Council meeting in October the German Chancellor, Angela Merkel, warned for the first time that her country could leave the euro zone. According to the paper, Merkel hit back at the statement of the Greek Prime Minister, George Papandreou, that Germany’s proposals for a permanent euro-zone crisis resolution mechanism were “undemocratic,” saying: “If this is the sort of club the euro is becoming, perhaps Germany should leave.”
- Angela Merkel told members of the German parliament last week that no countries within the euro zone would be abandoned but that the result would be “deeper political and, relating to the euro zone, economic integration. We will talk more about closer integration in the coming months.”

- Next year MEPs will take home €101,000 in tax-free expenses without having to provide “any proof of expenditure.” They will get a 2 per cent increase on their 2011 salary as part of an increased pay and perks package, taking their income to €95,000 plus a “Christmas bonus” of €6,370, which they will receive in January—paid at a flat rate; and the two allowances do not require anything to show that they have been spent. Sounds familiar!
- EU judges have ruled that the Dutch authorities are not in breach of European single-market laws by barring foreigners from buying the marijuana that is on sale to natives in the country’s famous cannabis “coffee shops.”
- A new opinion poll by Angus Reid shows that in the event of a referendum 48 per cent of British people would vote in favour of leaving the European Union, while 80 per cent would vote in favour of the country keeping the pound.
- Using the European Central Bank to back sovereign debt is another stealthy step towards fiscal union. One more foundation stone quietly being laid is the first issue next year of common bonds, for Ireland, by the European Financial Stability Facility.
- EU defence ministers have endorsed a plan presented by Sweden and Germany to analyse areas where closer military co-operation between member-states would be possible. Meanwhile the annual budget for the European Defence Agency has been frozen at €30½ million after Britain opposed the €1.2 million increase proposed for next year.
- The German Minister of Defence, Karl-Theodor zu Guttenberg, argues that “the commitment to European defence must be more than just lip service,” and he says he is willing for the German army to share some of its duties with other armies in Europe.