PEOPLE'S MOVEMENT
GLUAISEACHT AN PHOBAIL

Press statement **www.people.ie**

18 December 2013

People's Movement statement on banking union

'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.'

Laeven and Valencia, 2012: 19-20.

'That in what pertains to the control of credit the constant and predominant aim shall be the welfare of the people as a whole.'

Bunreacht na hÉireann, Article 45, Directive Principles of Social Policy.

The bulk of the Irish elite are sleep walking the country into a euro-zone banking union. A European Council meeting on 19th and 20th December is expected to take 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 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, while simultaneously taking another step on the road to fiscal and political union. Having given up the power to issue money by joining the euro zone, advocates of banking union would pass control of credit in Ireland to banks outside the country.

A euro-zone 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 which now rests on governments, private citizens and business firms in countries such as Ireland. This situation has not altered by the country's exit from 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 costs of crisis continue 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. Thus it will not be solved by the creation of a banking union. 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 across society 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 toward individuals; they have also turned to fees and commissions from operating in open financial markets rather than earning interest from outright lending. Banks have thus added investment banking to their usual commercial banking activities.

Meanwhile, public provision in pensions, housing, education, health etc. 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 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 an urgent 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 terms 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. A banking union would perpetuate this state of affairs rather than laying the basis for a progressive and humane alternative. As such it should be vigorously opposed.

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