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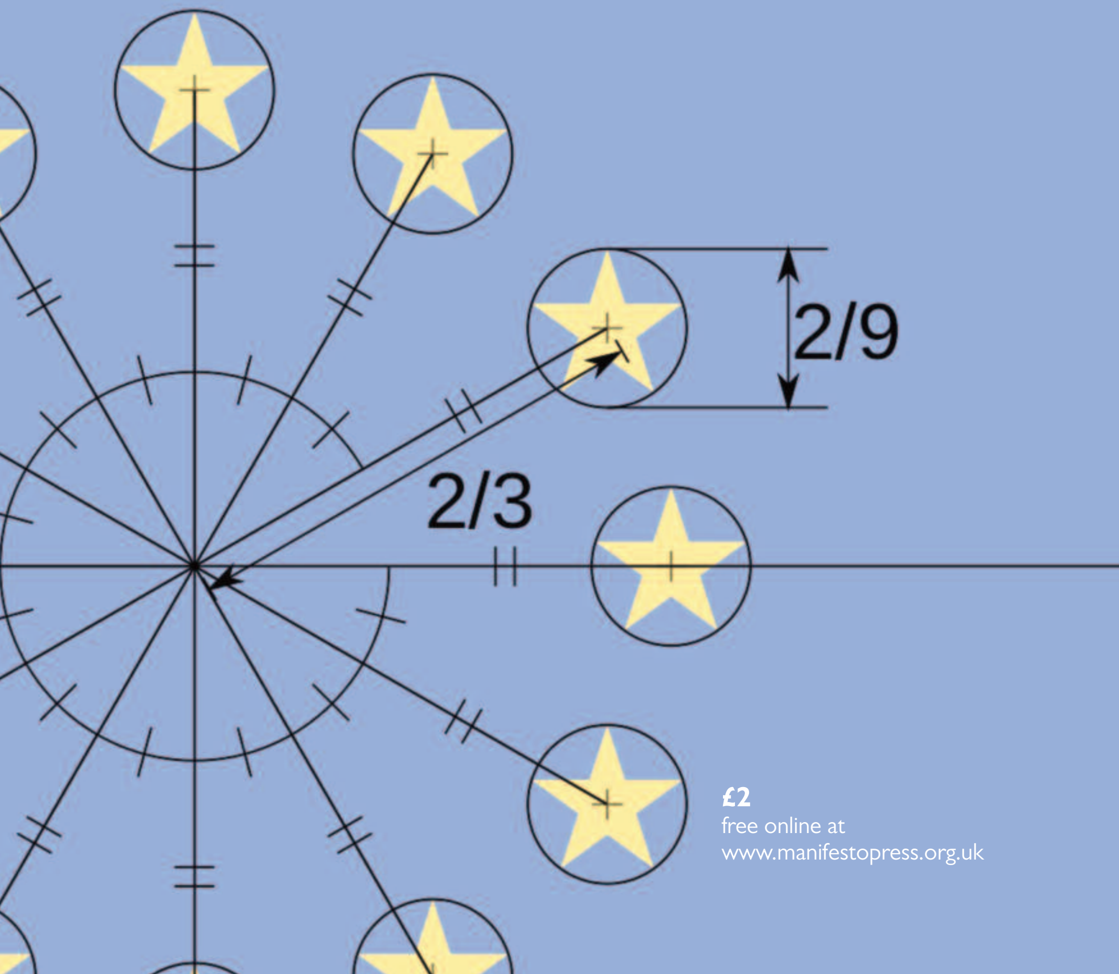

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Introduction
united in austerity

by John Foster

THE EU REFERENDUM has seen plenty of material on what the EU has done 'for' or 'to' Britain. This pamphlet is different. Its focus is on what has been done to other countries in the name of the EU. All the authors are on the Left. All speak with experience and authority – and they do so for a range of countries that covers the diversity of the EU.

Betty Carlsson for Denmark looks at a country outside the Eurozone which was previously a model for the Nordic welfare state. Today all that is virtually gone. Government policies mirror, and impose, the demands of EU neo-liberalism. In the aftermath of the financial crash Denmark's government voluntarily signed up to the EU's 2012 Fiscal Compact. The result has been the loss of job security, of the previously generous pension rights and the entitlement to unemployment benefit. In its place Denmark now has workfare, two-tier employment, much higher levels of joblessness and a trade union movement under siege. Income differentials have increased markedly. Racism has gained an ugly foothold.

Three of the countries, Cyprus, Ireland and Portugal, have suffered EU bail-outs and the external imposition of EU reform programmes. In all three the consequences for growth and investment have been dire. In all three the trade union movement has taken a hit. In all three fortunes have been made – though principally by external freebooters coming in to buy up privatised assets. But in each the experience of external intervention has been somewhat different.

Charis Polycarpou brings an analysis from the economic research department of Cyprus's previous ruling party, AKEL. Up until 2011 Cyprus had a well-balanced economy with strongly developed cooperative and small and middle business sectors. The externally-mandated changes to the banking system have choked off credit, led to widespread bankruptcies and forced the whole economy into long-term recession. As the economy contracts, the government deficit is increasing. Wages have fallen each year since 2011 and are now below the 1996 level. Public utilities and assets, including the health service, are being sold off. Political resistance, however, is now mounting – led by AKEL.

Ireland tells a different story. The collapse of its banking system was far more dramatic – leaving the Irish people, as the behest of the EU Troika, with debts equalling well over 200 per cent of national income. Ireland has also suffered one of the biggest falls in the proportion of national income going to labour.

Eoghan O'Neill rejects the notion that the Irish people somehow brought the crisis on themselves by undue property speculation. The causes, he argues, go back to the origins of the EU and the abandonment of indigenous policies of economic development. Instead Ireland became what he describes as the 'facilitator between European and US capitalism'. The Irish Financial and Service Centre developed from 1987 as the tax evasion base for both US and EU capital. Membership of the Euro then locked Ireland into an economic system that ended Ireland's economic sovereignty and imposed interest rates that diverted capital into speculation. However, the real importance of O'Neill's account lies elsewhere. It is in his description of the recent transformation of Irish politics. Popular resistance was initially slow and patchy but by 2014-2015 grass roots movements had gained momentum, begun to link up with the trade union movement and by the 2016 had changed the electoral face of Irish politics. The spark was the EU-imposed move towards the privatisation of water.

Pedro Guerreiro for the Portuguese Communist Party brings the experience of a country that only recently, and through a popular revolution, gained democracy and, as embodied in its revolutionary constitution, the rights of its people to economic sovereignty and social justice.

When Portugal joined the EU in 1987 labour's share of national income was 56 per cent. Today it is 44 per cent. Since 2010 EU imposed reform programmes have resulted in investment collapsing and the economy shrinking below its 2000 level. Public assets are being auctioned off, unemployment has risen from 6 per cent to 25 per cent and 600,000 people have emigrated, 10 per cent of the active population.

The Portuguese people have, however, fought back. A coalition government has now come to power pledged to defend the Portuguese Constitution and reject further austerity imposed by the EU. The PCP, though not joining the government, provides it with the required parliamentary majority – on the condition that it continues to resist EU-imposed austerity.

The final contribution comes from Germany. Lucas Zeise previously wrote for the *Financial Times Deutschlan*d and is now editor of *Unsere Zeit*, daily paper of the German Communist Party.

Zeise details the origins of neo-liberal policies in Germany back to their original imposition in the 1970s. These policies then became, with the assistance of Mrs

Thatcher and the Single European Act of 1986, the policies of the EU. In Germany they have resulted in a sharp deterioration in the power and position of organised labour. Across the EU they have created massive differentials in development – with Germany's balance on international trade reaching its highest surplus ever at 250 billion euro in 2015. For German big business these have been the benefits of the EU: the enforcement of neo-liberal debt policies and, and as a direct consequence, record low costs for borrowing alongside low internal labour costs.

Across the EU resistance to these policies, and to the EU itself as the instrument for their enforcement, has been uneven. In some countries the emphasis is still on reform and on somehow democratising the EU. But, as Eoghan O'Neill comments: 'you cannot democratise that which is undemocratic'. Instead O'Neill cites James Connolly who, somewhat on the same lines as Portugal's revolutionary constitution of 1976, sees the nation as the 'protectorate of the people' – though only to the extent that the people make it so. This is the challenge posed by all contributors to the volume.

John Foster is emeritus professor of Social Sciences, University of the West of Scotland and international secretary of the Communist Party

Ireland
austerity and resistance

Eoghan O'Neill traces the post-war course taken by the Irish state and the political and economic consequences of his country's embrace of the Euro and the austerity policies of the European Union. He charts the growth of resistance to austerity policies and the imposition of water charges and outlines an anti imperialist strategy grounded in the the the struggle for working class power and national sovereignty.

WHAT WERE the main causes of Ireland's financial crisis? You will hear from many sources that Ireland's financial crisis was a 'plain vanilla' property bubble. With cheap access to credit the Irish banks willingly took out extensive loans so that they, in turn, could lend to the large development and speculation sector that was gaining traction in Ireland.

Irish Government policies incentivised investment in property development while the media promoted this policy of buying and investing in property at home and abroad.

Risky lending practices, started mainly by the Anglo Irish Bank, would see Irish banks becoming more susceptible to risk. Massive loans were given without proper checks on the portfolios and the viability of the investor. Light touch regulation allowed this to continue unabated.

The loans made by the banks began to be exposed to the losses of its borrowers. A gap of around €200 billion between what the banks had lent (largely to property developers) and deposits taken had been bridged by borrowing in international markets, which, with the ongoing global economic crisis, began to dry up. This culminated in the decision on 29 September 2008 to issue a blanket guarantee to save the banks.The gross amount of liabilities guaranteed under the scheme came to approx €365 billion or two and a half times the Gross National Product.

This analysis puts the blame squarely on the Irish state; on the lending practices of the banks, the failure of the regulator and light touch regulation, on government policy and on the role of the media. It is a neat narrative that on the surface seems credible, however there are a series of events that have to take place before these wheels are set in motion. These were the only policies available to a gombeen[1] government at the time due to decades of European integration and the removal of democratic levers from the Irish state to the undemocratic and unaccountable EU institutions. So to look at the causes of Ireland's financial crisis we must start at the source that gave rise to the plain vanilla property bubble that is the easy access of cheap money for Irish banks, without which the effects of the crisis would not have been so profound.

The reason Irish banks were able to take out these large loans around this time has to do with Ireland becoming part of the Euro, which halved the real interest rate newly formed homogenised European banking system and its currency; the Euro, making it cheap to borrow money and by removing exchange rate risk. The thenmarks a pivotal point in time that sent the Irish economy on a trajectory of no return from an impending crisis. However the adoption of the Euro itself is not an isolated event but rather part of an overall strategy of European Imperialism's attempt to shift power and wealth away from labour and towards capital. It has done this by ratifying treaty after treaty that has shifted the ability of nation states to control and direct government laws, policies and decision making. From Rome to Lisbon the EU journey has been on a course of eroding peoples democratic, independent and sovereign rights and depositing power to finance houses, unelected bureaucrats and industrial lobbyists.

The journey begins with the end of WWII and when the Soviet Union and the Allies defeated fascism, the US almost immediately reverted to prewar hostilities to the nation that, in Churchill's words, 'ripped the guts out of the German war machine'. The unfounded fear of Soviet expansion into Western Europe drove the US Marshall plan for the rebuilding of Europe on US imperialist terms. Although Marshall Aid was not given as loans, there were stipulations attached to it. These were to ensure that the influence of the victory of the Soviet Union, the successes of the centrally planned economy and the rise of communist and workers parties in the West were to be countered by free market and free trade policies to spur western economies. The Coal and Steel industries, the power houses of European industry thus became the first to amalgamate on a European wide monopoly basis.

In Ireland the Marshall Aid that was given had the real effect of abandoning any notion of Ireland developing its own indigenous industries, with stipulations favouring foreign direct investment.

This in turn led to the government of the day joining the EEC in 1973 as a way to solidify the FDI economic policy. The Irish state's failure to have its own indigenous industrial policy, backed up by an extensive R&D programme meant that Ireland's economy relied on a FDI industrial policy, which was volatile and did not guarantee sustainable, long term employment. As the treaties consolidated

European monopoly capitalism and Western economies were now turning to finance and debt as a way to stimulate economies, Ireland's trajectory as a facilitator between US and European Capitalism was cast. This was copper-fastened by firstly, the introduction of the Irish Financial and Service Centre in 1987, which effectively turned Ireland into a tax haven and gave international finance houses a foothold in Ireland and secondly, the adoption of the single Euro currency in 2000, which, with the help of the IFSC, fuelled our economy down the direction of property speculation and leading to the eventual financial crisis. What they also enshrined was the economic models of all nations within the EU, which is based on the tenets of capitalism free trade, competition (leading to monopoly), privatisation and most importantly profit.

So the causes of the Irish financial crisis were not just bad banking practices and bad government policies. These came about due to Ireland adopting the Euro, Ireland setting up the IFSC, Ireland joining the EEC/EU and ratifying the treaties which effectively tied the Irish State to capitalist development and Ireland abandoning any Indigenous Industrial policy, instead opting to be at the mercy and service of US and European Imperialist interests. All these decisions were taken by successive Irish governments that lacked any ambition to make Ireland a strong Independent, democratic and sovereign nation.

How were they dealt with and why? The Irish State dealt with the crisis in three ways:

1 It gave a blanket guarantee to the banks.

2 It set up NAMA as a way to take the worst loans off the books of struggling banks

3 It entered an economic adjustment programme of the Troika (EU, ECB and IMF) when the guarantee scheme expired in 2010.

By stepping in and giving a blanket guarantee to the six largest banks operating in Ireland, which as we've mentioned came to approx €365 billion or 2½ times GNP, the Irish State effectively socialised the private corporate debts of the banks. This has meant that the Irish taxpayer will be paying for these debts for decades to come and studies have shown that the Irish people have paid 42% of the European banking debt. The level of the bank guarantee was unprecedented in world historic terms never mind in Irish terms. The guarantee covered customer deposits as well as banks' own borrowings. The decision to cover all deposits and all bondholders stems from a directive that 'no Irish bank is to fail'. This policy was not a necessity in terms of saving the Irish banks from complete collapse, as the recent banking enquiry points out.

The idea that no Irish bank is to fail came straight from Europe because in February 2008 the Department of Finance wrote that to: 'provide an open-ended legally binding state guarantee would expose the Exchequer to the risk of significant cost and should not be regarded as part of the tool kit'. Only when it became clear that the Irish banking system was in serious trouble did this policy become the main directive in dealing with the crisis. This clearly shows that the idea that the banks would have ran out of money was a con given that the Central Bank had put in place, according to the enquiry, sufficient measures to ensure that all banks would have opened on Monday the 30 September 2008, and no default of any bank would have taken place that day. It also shows how the EU implicitly burdened the Irish people with a debt that was not of their making, but will have to shoulder it for years to come.

When the extent of the banking crisis and the amount of bad loans that were on the books of the banks became clear, the Irish government intervened and set up the National Assets and Management Agency (NAMA) to remove the contaminated loans so that the banks would be able to do business as normal. The Irish state in this case bought the bad assets from the banks, which will cost the Irish people somewhere in the region of €40 billion. Again we see that those who speculated and took out loans were bailed out by the State stepping in and covering the costs of the private risks that did not pay off.

The initial bank guarantee only covered the banks for two years so when in 2010 the blanket guarantee expired, the state, through nationalisation and recapitalisation, had taken effective ownership over the domestic banking sector, therefore taking on the toxic loans of the banks.

The fact that the loans still had to be paid and that the Irish State was now liable for the billions in repayments meant that it had offered to pick up a cheque without having the cash to pay for it. This in turn forced Ireland to seek a bailout from the Troika to the tune €85 billion. It has come to light that a letter from the ECB to

Minister Brian Lenihan on 19 November 2010 threatened that it would not continue to provide Emergency Liquidity Assistance (ELA) support for Irish banks if Ireland did not enter into a bailout programme. This programme was an austerity package that has not ceased, despite Ireland leaving it in 2013.

Looking at the way the Irish state dealt with the crises we can say that the reason why it acted the way it did, aside from our own cohort of bankers, developers and politicians looking after their own interest, was because first off the lenders who were covered in the bailout the big European banks, the investors, speculators and bondholders had vast sums of money tied up in the Irish banking system and those that lent to the Irish banks would have been liable for the losses. In this context it only makes sense that banks such as Anglo and Irish Nationwide Building Society, which were the developers banks were saved.

If the Irish banks were allowed to fall then the knock on effect would have been catastrophic for the Euro currency due to the interconnectedness of European economies. Therefore the whole EU project would have been put in jeopardy. Instead of those that created the crisis being made to take their losses, the Irish people were left with an unsustainable unjust and odious debt. The Irish people had a gun put to its head twice by Europe. First of all to save the banking system and then to agree to a bailout package that ensured Ireland would forever be in debt to Europe.

For the architects and moneyed men of Europe, sacrificing the Irish people was the only option they were willing to accept.

What did this mean for the people, the banks, the country? Due to the liquidity and solvency problems the two largest banks AIB and BOI had to be recapitalised to the tune of €3.5 billion each, while others like Anglo Irish and AIB (eventually) had to be nationalised. The ensuing bank restructuring meant that there was an almost total cessation of new lending for businesses over the period 2009 to 2013. This taken with the collapse of the construction industry and the injection of vast sums of money to cover the banks meant that the tax base had been hugely weakened and the government were running deficits of over €16 billion.

The country in effect was in a state of collapse and quite simply it meant debt and austerity.

From this stems emigration, unemployment, homelessness, ghost estates, negative equity, pay cuts, tax increases, rising rents and cost of living, rising inequality, the disinvestment, closing down, sale and privatisation of our public goods, services and infrastructure. These have had a psychological effect on our people with increases in depression, mental health, suicide and isolation. We may never be able to quantify the true effects of the bailout, but without a doubt it is felt in every village town and city in this country.

How did this change the political landscape in Ireland? With the biggest crisis facing the Irish state since its foundation the political landscape, which hadn't changed since the foundation, had been shook to its very core. Fianna Fáil who were in power at the time of the bailout had never dropped below 38% in first preference votes between 1932 and 2007 and until the 2011 election had been in government 61 out of the 79 years.

However, although FF dropped from 71 seats to 20 in the space of one election period other parties of the centre right filled in the vacuum and Fine Gael and Labour formed a coalition government, which pursued the same policy line of paying back the banks and bondholders and implementing the Troika Austerity programme to make up the government deficit. FG won 76 seats in 2011, but dropped to 50 in 2016. Labour won 37 seats in 2011 but dropped to just 7 seats in 2016. FF regained some ground from its historic drop and gained 44 seats in 2016.

In terms of the opposition Sinn Féin won nine new seats and reached 14 seats in 2011. This increase continued in the 2016 General Election where they won 23 seats. Other parties of the populist and Trotskyist left emerged and gained seats in both the 2011 and 2016. The Socialist Party and People Before Profit both gained two seats in 2011 and three seats in 2016. The biggest increase was seen in the huge amount of candidates that ran as Independents. In 2016 election 143 out of a total 551 candidates ran as independents, winning a total of 16 seats. The 2016 elections, although not returning a 'left' government, has seen a disruption in the Cartel alliance of FF, FG and Labour, which constituted the political landscape of Ireland for the best part of a century.

What's the political situation like now, after the elections? With this said it is with caution that we have to look at the elections and party politics. Although none of the big two parties can form a government on their own, no genuine left alternative is on offer, which will mean either a cobbling together of a coalition of FF and FG, something that has never happened, or one of the two trying to gain the support of enough Independents and small political parties to form a minority government. If these options can't form a government then there will be the likely scenario of another election within the year. What is clear is that the stability of the establishment parties has been shook and they cannot rely on their past to secure their future. For sure the political landscape has changed since the crisis, but with no alternative on offer, the policy of servicing and repaying the national debt and the incumbent austerity measures will continue.

What was or is the role of social movements in this process? When the crisis initially hit, the pace at which everything happened, from the bank guarantee to the Troika imposing the austerity programme, meant that working people were not prepared or in a position to first of all analyse the whole situation unfolding and secondly to put up a resistance against all the attacks on their standard of living and rights won over decades of struggle. Taken together with a trade union movement, which had been dispossessed of working class politics and of independently working outside the confines of the government table, due to signing up to a social partnership strategy in the late 80's, resistance in the work place was weak at best, nonexistent at worst, to start off with. The first hint of a social movement were people actually collectively came together to discuss the crisis and what was going on, was with the occupy dame street protest in 2011 early 2012. An embryonic gathering of forces, taking inspiration from the occupy movement. However it was weak organisationally, with no overall strategy to actually deal with the crisis, yet at the same time important in the fact people were seriously questioning the legitimacy of the bailout and the strategy of austerity.

In the 2011 elections the social movements were not really functioning in any organised or collective fashion. People were angry, fearful and isolated so they made their voice heard by devastatingly removing FF in the election. However what took its place the FG/Lab coalition despite promises to tackle the bondholders and cancelling part of the national debt, took up from where FF left off. As more and more the austerity budgets began taking its toll on the families and communities of ordinary working people, bit by bit and slowly people began to join the dots between the odious debt and austerity. The number of strikes and workplace disputes began to increase as the terms and conditions and pay continued to be eroded. An unsuccessful campaign against a household tax in 2012 would see the communities trying to organise a resistance against austerity. Then in 2014, the straw that broke the camels back, was when the government began to roll out water meters to impose water charges on the people. There was a surge of activity within working class communities to establish blockades to the installation of the metres, the women in the communities playing a decisive role. With this ground swell of resistance from the communities, the backing of five unions actively engaging, supporting and establishing Right2Water, along with political parties of the left.

The three pillars of the movement came together in October 2014 where the first of a number of national demonstrations organised by R2W took place in Dublin and other towns and cities around the country. Hundreds of thousands of people took to the streets to demonstrate their anger at Irish water and the installation of metres. The privatisation agenda of Irish water began to surface more and more as the analysis of the crisis became much more directed at the causes rather than the effects of the crisis. People began to link Irish water with debt and austerity and the effects they have had on our country. As early as December 2014 and with the anticipation of a general election in the near future, there was a shift in the dynamics of the movement. As 2015 rolled on the elections started to factor more and more as the parties tried to align themselves within the communities, while some where the main drivers within the communities.

This focus on elections resulted in the formation of Right2Change. A consultation process between the communities, facilitated by the Trade unions and with submissions from various parties and groups took place over a number of months and from that the Right2Change "Policy Principles for a Progressive Irish Government" was produced. The political pillar met in October 2015 to try and agree on an electoral strategy. The parties were asked to agree on 3 questions formulated by the community groups. To agree on the policies, to agree to form a government, if numbers allowed, and how they would work together to carry out this objective. All the parties, except for the Socialist Party/AAA agreed to what was asked. In all there were 104 candidates that ran in the elections who endorsed R2C of which 31 were elected. This grouping put serious pressure on the established parties and as we've seen, the election results were unique in the history of the Irish state, so undeniably the social movements had a big part in the election results Is there really a recovery if so who benefits, who doesn't? There has been a recovery, but some have recovered more than others. The most recent Credit Suisse Wealth Report in 2014 gives estimates for wealth in all deciles. It estimates that the top 10% has 58.5% of household net wealth, with the top 5% having 46.4% and the top 1% having 27.3%. The poorest 10% of Irish households experienced a drop of 26% in their disposable income between 2009 and 2010, according to CSO figures in 2012. From these headline figures alone on wealth inequality it is clear that the recovery, meaning the austerity measures, have benefited the wealthiest in society. This is because austerity is doing exactly what it was intended to do and that is to use the debt crisis to transfer wealth from the poorest to the richest in society. This has been a feature throughout the EU because the rules and the directives come from the EU and ECB and are implemented by national governments.

The austerity policy of cutting government spending and increasing taxes has disproportionately hit the poorest in society. Due to Ireland's tax system, according to Eurostat, 78% of government tax revenue comes from income and consumption taxation while tax on capital makes up the remainder 22%, This isn't surprising when we look at the way the Irish tax system has developed to suit its industrial and financial policies to suit the needs and interests of FDI and property speculation and development, which in turn have been in the interest of EU and US capitalists.

When peoples wages are cut or their contributions on their wages increase and tax on consumption goods are raised, the lower the income level, the greater portion of income is paid in these indirect taxes. The bottom 10% income range pay out 30% of their income in tax, while the top 10% pay out only 6%, according to the NERI institute. So without a doubt the recovery has benefited the wealthiest in society, while the poorest in society have endured a continuous erosion of their standard of living.

What are the crucial ideas and demands of social movements what should be done? In Ireland at the minute the one crucial demand centres on the right to water. This has been the one issue that has mobilised hundreds of thousands of people onto the streets, which has developed and raised peoples political and class consciousness. It isn't necessarily about the idea of paying for water, as water has been provided through general taxation, but rather who owns and controls the water supply. The demand itself may be narrow but the idea of public vs private ownership is central to the water struggle and will be a battleground on many fronts in the months and years to come. We know that the new EU trade treaties with the US and Canada, TTIP and CETA will be an escalation of the attacks on not only workers rights, terms and conditions but also on citizens rights, embodied in the UN declaration of Human Rights.

The trajectory of the EU, with these trade deals is towards the opening of the public system, which includes our services, our institutions, our infrastructure and our resources, to competition and inevitably towards the commodification and privatisation of our public assets and our public needs, as the water struggle has clearly demonstrated. While the EU at the surpranational level secretly negotiate the trade deals, their design is to further remove the ability of nations to democratically determine the policy choice of their elected governments. The needs of the people will give way to the ability to afford them, as private industry will look to profit from our collective needs and the hollowing out of democracy, independence and sovereignty of European nations intensifies.

What is most important now is that the water struggle does not just fade away but on the contrary intensifies. There is an opportunity to strike while the new Dáil** is still in flux and to push our elected politicians towards enshrining the ownership of our water to the people in our constitution. With so much effort and energy of working people focused on the water struggle a complete defeat now would be totally demoralising.The demands should not be brought from the streets into the Dáil, relying on the promises of those that were elected to defeat Irish water.

The demands should continue to be made on the streets, in the constituencies of the elected politicians and to keep the pressure up wherever possible. Realistically, this is just the beginning of an intense class war being drawn up in Washington and Brussels. However, a victory, even if only temporary, would give confidence to those who have engaged in the water struggle and would serve as vital experience in the struggles ahead.

Are there movement efforts to coordinate more at a European (or higher) level?

The largest European wide movement at the minute is against TTIP and CETA. In April there will be a coordinated demonstration against these devastating trade deals, which it must be said, has gained traction in the water struggle. It is important that European nations are not left isolated in their struggle, be it for water or any other form the class struggle manifests itself. The crucial thing to understand is that the current crisis isn't local, but is global. It is a crisis of the international capitalist system, which the EU is an integral part. The form in which the crisis reveals itself may vary from country to country, however the response of the capitalist class has been uniform using the debt crisis to impose austerity and to transfer wealth from the poorest to the richest or from labour to capital, which has caused huge hardship on the people, as was outlined above.

Having coordinated demonstrations and sharing the experience of other peoples struggles is an important element to understand the general nature of the crisis, however we cannot expect a European or global movement to change the systems response to the crisis of its own internal contradictions. Each country has to struggle for its own independent action against the forces that have worked to undermine working class power. We should of course show our solidarity to our fellow Europeans who are suffering under similar or worse conditions but we cannot expect to change anything at an EU or UN level if we do not change it at a national level.

Some people, Varifakous leading the group with his DIEM (democratising Europe) initiative, have laid out a choice for the future of Ireland and other European nations. Either we democratise the EU or retreat into the cocoon of the nation state. This is a false dilemma and therefore a fallacy. You cannot democratise that which is undemocratic. The treaties, the very fibres of the EU are not designed for democracy but to enhance European Capital.

The other option of retreating into the cocoon of the nation state is a straw man argument. The social productive forces that have developed over many centuries are at a global and interconnected level. Certain geographical areas lend themselves to the extraction and production of resources for the needs of the global society.

Whether its oil, gas, coal, steel, gold, iron, copper, rubber, silver, diamonds, water, trees, plants, animals, fish, fruit, vegetables and a whole list of other materials and natural resources, they form the basis of modern day needs which no one state can provide. Historically it was rape, pillage and plunder that secured the resources for the most ruthless militaristically advanced nations. Britain, Germany and France being the flag bearers of Europe of course.

If we are truly to advance to a higher level of class consciousness, of solidarity and equality among nations, of democracy, sovereignty, independence and social justice then we do need to take a step back. Not in the way envisioned by EU reformers and their cocooned nation, but by the vision of socialist republicans, such as James Connolly, who saw the nation state as the protectorate of the people. It is to provide for the material, cultural, social and mental well-being of each citizen and to ensure that the people have a democratic say in the economic, political and social aspects of their daily lives.

No form of supranational state can guarantee that until we guarantee it and enshrine it for ourselves first. The EU is a barrier to equality between European nations and between European nations and the wider world and therefore t he main efforts should be directed at the national level, where people can still influence the decisions taken by our elected governments.

If there are movements at a European or higher level, then they should be used to help in our overall understanding of the crisis and help direct certain actions and strategies, but they should not be used as a substitute to organise nationally against the attacks on our people.

Eoghan O'Neill is secretary of the Dublin Region of the Communist Party of Ireland and a member of the party's Research Committee.

* A *Gombeen man* is an unscrupulous business man or politician. The word derives from merchants who exploited the starving during the Irish Famine.

** *Dáil,* the Irish parliament

Portugal
traits of its economic and social development

Pedro Guerreiro details the effect on working class lives of European Union membership and the policy of successive Portuguese governments and shows how membership of the Euro zone and the austerity policies thus shaped have weakened the productive capacity of the country

PORTUGAL'S ECONOMIC and social situation reflects the policies of the European Union. Policies and measures of successive PS and PSD/CDS governments, implemented in consultation with the EU, the ECB and the IMF, have resulted in a large reduction in wages, cutbacks in government spending and a collapse in public investment. This has further depressed Portugal's economic and social outlook.

Such policies and measures have been accompanied by an intensification of attacks on democracy and national sovereignty, gradually eroding the right of the Portuguese people to determine the political and economic future of their nation. Decisions are being transferred to the European Union's supranational structures – and these decisions increasingly clash with the Constitution of the Portuguese Republic, which states that sovereignty in its entirety resides with the Portuguese people.

These policies and measures seek to promote the accumulation and centralization of wealth.

As a result of these policies, between 2010 and 2014, labour income in Portugal has dropped sharply, with an average reduction of 16.5% in real terms, which reached 30% in the case of public employees.

In fact, labour share of national income has been dropping systematically since we joined the EEC. In 1986, the year Portugal joined the EEC, labour share was 53.2%. This figure had dropped to 48.8% by the time Portugal joined the Euro, and by 2014 it was a mere 44.6%.

While workers' income fell, the profits of the large economic and financial groups grew steadily, despite the crisis.

Large, listed companies (excluding those in the financial sector) have handed out 13 billion Euros in dividends to their shareholders since 2008 instead of reinvesting or reducing corporate debts, which have continued to grow since the crisis.

The colossal profits of economic and financial companies and the plunder of the country's resources, through privatizations and debt servicing, are draining the wealth that is produced by Portuguese workers. This wealth should instead contribute to an increase in wages and an improvement of workers' rights which would ensure Portugal's development. Instead, the deterioration of working conditions and the standard of living has intensified: low wages, precariousness, unemployment, forced emigration, deregulation of working hours and loss of rights are commonplace.

In Portugal, unemployment has almost quadrupled since 2000: 6% in 2000 to 21.5% in 2015. Since joining the Euro in 2002, employment has dropped by 11.5%. Our country lost almost 600,000 jobs.

In the past four years alone, some 70,000 jobs were destroyed in public administration, representing roughly 10% of the jobs in that sector. Youth unemployment has almost trebled, reaching 32% in 2015 compared to 11.6% in 2002. Long-term unemployment, defined as workers who have been unemployed for over two years, has doubled. Workers who have been unemployed for over 12 months represented, 63.5% of all unemployed workers in 2015. Only 23% of unemployed workers are entitled to unemployment benefit. Precariousness now affects one third of all dependent workers.

- Some 600,000 workers, 13.2% of workers directly employed by firms, are today falsely on so-called 'green receipts' (which officially correspond to 'independent' workers). In other words, they are filling permanent jobs, but face the same precarious working conditions as temporary employees.
- 84% of the contracts established between October 2013 and June 2015 were precarious contracts.
- 61.5% of young workers are employed on these precarious contracts.
- About 130,000 young job seekers do not receive any kind of unemployment benefit. It is young people who have been most affected by the cutbacks in this type of benefit.
- Two thirds of young people aged 18 to 34 must live with their parents, as short-term contracts, poverty-level wages and unemployment have made housing unaffordable.
- Half a million Portuguese have been forced to emigrate in the past five years: 5% of the population and 10% of the country's active population have left.

Between 2009 and 2013, some 800,000 people were forced into poverty. In a population of roughly 10 million people, 2.7 million Portuguese are today living below the poverty line. Wages are so low that approximately 10% of employed workers are at risk of falling into poverty.

The decline of national production Portugal's dire economic situation can be clearly seen in the level of destruction of important productive sectors. This has had repercussions on the country's capacity to form an effective policy for growth and development in order to provide viable solutions to the current malaise.

In the period between 2001 and 2014, there was almost zero real growth in the Portuguese GDP.

During this period

- Only the financial and real estate sectors saw any real growth, approximately 1.1% a year. The other sectors of the economy either shrunk or stagnated. The building sector contracted by 55.4% in real terms.
- Industry dropped 8.1% in accumulated terms, thus reinforcing Portugal's de-industrialization. The agricultural, housing and hospitality sectors have stagnated.
- Since Portugal joined the EEC/EU, industry's share of GDP has dropped by one half, whilst the financial sector's share has doubled.

Divergence with the European Union Significant deficits in the balance of commodities, important agro-foodstuffs, energy and technology persist. These have been made exacerbated by Portugal's entry into the Economic and Monetary Union (EMU) – Euro, by the EU's Common Agricultural Policy and Common Fisheries Policy and by the loss of sovereignty to the EU on issues of foreign trade.

The gap between Portuguese growth and the average EU growth rate is becoming wider. Since the Euro's entry into circulation, the Portuguese economy has been at a standstill, recording zero growth, whilst the 28-member European Union grew at the rate of 1.2% a year during the same period.

According to Eurostat, Portugal is not only one of the countries with the lowest per capita GDP in the European Union, it is also one of twelve EU countries where GDP per capita has fallen in real terms since 2009.

Investment Investment, which is essential for economic development and growth, has fallen 36% in real terms, since joining the Euro. This equates to a fall from 25.8% of GDP in 2002 to 14.6% in 2015. Public investment, for its part, has seen a more pronounced collapse, dropping from 4.2% of the GDP to just 2.7%.

An unsustainable debt and a suffocating debt service Today, Portugal has one of the largest public debts in the world, as a percentage of GDP, and a gigantic gross foreign debt (both public and private), corresponding to 223.2% of GDP.

Public debt reached 128.9% of GDP in 2015, compared to 68.9% of GDP in 2008 (despite 38 billion Euros of income from privatizations since 1998).

The increase in debt is the result of the growing destruction of productive sectors and the loss of Portugal's productive capacity. It is also the result of speculation and of policies that, since 2009, have led to State intervention in the financial sector and successive handovers of thousands of millions of Euros of public money to private banks.

The sheer size of public debt has made debt servicing unsustainable: interest payable is close to 9 billion Euros a year. This is a serious constraint upon the country's development. To put it in perspective, in 2015, Portugal spent more than double the public investment budget on debt servicing.

Pedro Guerreiro is head of the international department of the Portuguese Communist Party

Denmark
the effects of EU membership

Betty Frydensbjerg Carlsson summarises the ways in which membership of the European Union has undermined the living conditions and social rights of the Danish people.

MEMBERSHIP OF the EU has had a serious negative influence on the working conditions of the Danish people and the working class, on labour rights and on social and educational conditions, on everything, as we say, 'from the cradle to the grave.'

Traditionally, the Danish trade union movement was a well-organised and united movement with around 90 per cent of workers organized into unions. This powerfully influenced the result of the biennial collective bargaining round and supported the whole body of social legislation, especially unemployment rights. In principle, the compensation for lost wages through unemployment was 90 per cent of former earnings (with an upper limit) and for an unlimited period.

After 1990 the situation changed very quickly. Firstly, they shortened the period for which workers were entitled to unemployment benefit to seven years, then to four years, and in 2008, the year of the big collapse, down to two years.

Unemployment is still very high, which means that thousands of unemployed workers 'fall out' of the system. When a worker is no longer eligible for unemployment benefit they can apply for social help which is paid at a much lower than unemployment benefit. A new rule means that people living together, whether married or not, are no longer treated as individuals. If one partner gets unemployment benefit or has a job, the other is not eligible for benefit.

The latest EU-reforms end the right – for those under 40 years of age who are chronically ill or invalid – to pensionable early retirement. For others it is very difficult to get early retirement at all. This provision means people have to rely on social benefit which, following a new reform, has been reduced with a new, lower upper limit on the amount. The consequence is that thousands can no longer afford their existing houses and apartments, and for invalids it is additionally difficult because the aids and appliances for people with disabilities are increasingly expensive.

Another development through the 1990s was an ideological attack on trade union membership. This was underscored by a court decision that made it a 'human right' to be unorganized in a trade union.

Also, from the EU, came a directive that everyone should have the right to establish private unemployment ‘organisations’, which formerly, over many decades, had been associated with the membership of a trade union. This new ‘right’ has had the consequence that membership of the trade unions has fallen and that unemployed workers increasingly lose contact with their union. This has inevitably had a detrimental effect on collective bargaining.

After three months on unemployment benefit people are now compelled to undertake work for their benefit. For those already unemployed and on social benefit this comes into effect immediately. This has created a two track system of employment – an A and a B team of workers. Together with the competition from foreign workers, who often work under unacceptable conditions, this is creating a problem for the working class as a whole. The trade unions have to make great efforts to find such workers, organize them and provide help and advice.

All though the Danish people voted NO to the proposal to join the EMU and adopt the Euro, the parliament decided otherwise and voluntarily adopted the EU convergence criteria, which means that the state budget has to be accepted by the EU. As in other EU member states this has resulted in huge cuts in public expenditure.

The younger generation of the working class are especially hard hit. Successive cuts have hit the education system and it is now increasingly difficult to find a training place. Denmark will be catastrophically short of skilled workers.

The EU has demanded that we all shall work longer. In Denmark the age for retirement has been raised to 68, from next year to 69. For those engaged in physical work this creates impossible problems. Formerly workers had the possibility of retiring at 60 if you were exhausted or run down whilst everybody could retire at 65.

In 1992 the Danes voted no to the Maastricht treaty which changed the EEC to European Union. We have been cheated ever since.

It is no wonder the Danes are against the EU and want to leave it. It is no wonder that every time our rulers want us to vote yes that the Danes, in spite of their threats and propaganda, vote no.

Betty Frydensbjerg Carlsson is the former general secretary of the Communist Party in Denmark

Cyprus and the Memorandum
The crisis in the economy

Growth In 2013 the fall in national output reached 5.7 per cent and continued at 2.3 per cent in 2014. 2015-16 saw the IMF forecast of minimal growth met. But it is only minimal. There remains a lack of any conditions for dynamic growth and the benefits of this minimal growth have been very unevenly distributed.

The economic policy being pursued by the current government in Cyprus has put even more burdens on the backs of middle and low income strata of Cypriot society. It is clear from the crisis in Cyprus, and from international experience, that growth of income inequality is negatively associated with developmental potential. Income inequality limits growth.

This is why the fundamental objectives of our policy should be:
a) Supporting working people and the vulnerable groups of the population,
b) The fairer distribution of the burdens of the crisis,
c) The adoption of policies to enhance the prospects for growth and the results of growth being allocated to the working people,
d) The gradual restoration of rights that have been lost and,
e) Preventing privatizations.

Public finances The targets set by the Troika for the elimination of budget deficits actually gave more room for flexibility than those eventually adopted by the current right-wing Government. A substantial part of government revenues are now being held in surplus and not channelled back into policies for boosting growth in the real economy through infrastructure programmes and improving working conditions.

There also needs to be a reform of tax rates to the benefit of the middle and low-paid strata to enhance the ability of households to consume and repay debts: reduced immovable property tax, reduction in VAT and income tax reform. Tax reform must not once again represent a procedure to grant concessions to businesses. Instead it should aim at transferring incomes and resources to low-income groups.

The most recent data from Eurostat showed that in 2014 national debt reached 108 per cent, the biggest percentage increase to date. The original estimates made for 2015 by the Statistical Service of Cyprus and the IMF were that the country's public debt would register a slight decrease at around 106.3%. However, despite the government's proclamations about an improvement in the country's public finances, the most recently published data shows that for the second quarter of 2015 public debt stood at 109.7 per cent.

Banking sector The implementation of the EU's Memorandum requirement for 'haircuts' for depositors has led to significant changes in the banking system and made the repayment of the loans difficult. Despite the public statements to the contrary by the government as defenders of the "solution" imposed on Cyprus, no substantial changes have been made to the strategic orientation of banks towards strengthening the strategy for growth and investment. On the contrary, we consider that the new regulations have made lending more difficult, particularly for small and medium-sized businesses. In essence the banks have been transformed into agencies for recovering old debts - putting even more burdens on society and reducing prospects for growth.

The main changes caused by the implementation of the Memorandum are:

- Changes in the framework of managing loans. The adoption of the insolvency framework, the new legislation on foreclosures and the change in the handling of non-performing loans has disproportionately increased the pressure exerted by banks on borrowers. The absence of institutions to support borrowers and the reduction of incomes has directly affected the ability of small businesses and farmers to pay off their loans. The new framework is resulting in the mass transfer of properties from the many to the privileged few, whether they are local and foreign big property owners or domestic and foreign investment funds.
- Change in the nature and way cooperative credit institutions operate. These developments have had an immediate impact on depositors and borrowers, the majority of whom come from low-income strata.
- The drastic reduction in the size of the banking sector has transferred the costs of adjustment onto the depositors in the banks.
- In relation to interest rates, the Government's response to the EU Memorandum has been introduced a clause prohibiting any regulation of interest rates.

Labour market Rising unemployment has led to a deterioration of working conditions and the increase in flexible forms of employment, such as part-time and temporary. Part-time employment increased to 14.1 per cent of employed people in 2014 from 12.7 per cent in 2013 and 10.7 per cent in 2012. Similarly, temporary employment has risen to 18.9 per cent in 2014 compared with 17.4 per cent in 2013 and 15 per cent in 2012. The overall reduction in employment from 2012 to

2014 was 11 per cent according to the figures in the annual report on the Cyprus Economy published by the Cyprus Labour Institute of the class-based Pancyprian Federation of Labour (PEO).

The government's promise has remained empty words as unemployment rates remain high. Unemployment rates have increased. in 2014 they were 16.1 per cent - higher than in 2013 (15.9 per cent) and 2012 (11.8 per cent). The 2014 rate for youth unemployment is 36 per cent. This shows a slight decrease from 38.9 per cent in 2013. It is, however, more the result of the increase in migration, mainly made up of young people and by the fact that a significant proportion of young people have given up registering as unemployed. Long-term unemployment remains at the same level (7.2 per cent) in 2014 compared with 2013 (7.7 per cent) and 2012 (6.1per cent).

In recent years figures for migration have reversed. Previously more people came to Cyprus than left. 2012 saw the first negative net migration, of 600 persons. In 2014 the figure rose to 15,000. Recent research has shown a transformation in young people's attitudes to migration with many more indicating an intention to migrate abroad in search of work.

Inflation - household's ability to repay debts The worsening of deflation in recent years is a fact and the fundamental mechanism driving deflation was the reduction in salaries and labour costs. In 2012 the reduction was 0.8 per cent. In 2013 it jumped to 6.4 per cent and in 2014 salaries fell a further 4.9 per cent on the previous year. According to the Statistical Service of Cyprus, the downward spiral of wages in Cyprus has continued in the first and second quarter of 2015 with decreases of 0.8 per cent and 0.2 per cent respectively. Across the EU the first quarter of 2015 saw wages increase by 2.5 per cent.

In terms of Euros the average nominal wage has fallen every year since 2011. It fell from 25,200 Euros in 2012 to 22,400 in 2014, a decrease of 2,800. The share of wages in the GDP has fallen by 4.9 per cent to 53.4 per cent in 2104. Apart from the social consequences of the reduction in income, the inability to pay off private debt is therefore also enhanced by the fall in Cypriot household's solvency.

Reforms and Privatisation The consolidation of the reforms in the economy and the promotion of reforms, whose main objective is the sale of public wealth and assets, as well as the further liberalization of the economy, were at the forefront of the changes sought by the Government. The government's plan for privatization is explicitly recorded in every updating of the EU Memorandum. It includes the privatization of the semi-governmental Cyprus Telecommunications Authority (CYTA), the Cyprus Ports Authority (the procedure is already underway), the Cyprus Electricity Authority (EAC) and the sale land and immovable property.

These semi-governmental organizations are the property of Cypriot citizens and represents their future. This social property will be sold for next to nothing and its wider social role will end.

In relation to the health sector, public hospitals give a picture of chaos. The establishment of the General Health Scheme (GHS) is being undermined and reversed.

The sole concern of the government and ruling forces seems to be to promote a health system that sells out health to private insurance companies. Our goal is the immediate implementation of the GHS as it had been planned and agreed unanimously in 2001 so as to ensure equal access and a high level of health services for all citizens.

Moreover, the Government is also seeking to change the legislative framework for the taxation of land and immovable property. The aim is the replacement of progressive taxation with a single flat rate of 1 per cent. This will lower big property owners total tax burden to the detriment of small owners and impose an additional €25 million tax on small properties owners.

Termination of the Memorandum In March 2016 the timetable for the disbursement of the instalments from the European Stability Mechanism (ESM) came to an end (as agreed in March 2013). This means that the ESM will not lend Cyprus any more money and Cyprus must find other sources for financing its deficits. However, it must be stressed that EU supervision will continue. The terms of the ESM will continue to be imposed on Cyprus until 75 per cent of the loan has been paid off as with all the countries that have borrowed from the ESM. In practice this means that the Cyprus economy will continue to be under supervision for at least another decade.

Consequently, economic policies will not change. The neoliberal economic assumptions will remain. The public sector will continue to shrink. Public wealth and assets will continue to be sold. The termination of the instalments will not mean any change for the better in the people's daily lives.

Charis Polycarpou is a member of the Economic Research Bureau of the Central Committee of AKEL, the Cyprus Progressive Party of Working People

Germany
austerity policy of the European Union

Lucas Zeise analyses the economic and political strategy of the German bourgeoisie andits relationship to the austerity policies that affect the lives of working people throughout the EU, including Germany

IN 2015, the German current account surplus reached its highest level yet, 250 billion Euros (not laughable US-billions but real billions) equivalent to eight per cent of the German GDP. One would think that such a success would be hailed and celebrated by the government in Berlin and government-friendly media. But nothing of the sort has happened. The office for statistics almost attempts to hide the record figure despite it being proof of the successful mercantilist economic policies and of the much lauded competitiveness of the German economy. Finance minister Wolfgang Schäuble, in fact, plays down the data as much as he can.

There are reasons for this apparent coyness: Other countries will not appreciate the German surplus, as it means deficits in their accounts of an equal magnitude. And, celebrating the success could lead to a slackening in the “common effort” of German citizens, both capitalists and workers.

Since the Maastricht Treaty German austerity policy is no longer just one country’s capricious policy but has become dominant economic policy in European Union. The Maastricht Treaty was written according to the German vision of austerity, the monetary policy of the European Central Bank (ECB) was stream-lined by Germany’s vigorous anti-inflationary course, the Euro-crisis of government debt was the result of a strategy to bring the governments of the EU under the control of international capital markets. In the course of this crisis Germany developed from being “merely” the biggest and economically strongest state to being the key creditor-nation.

Whilst former chancellors had to negotiate and occasionally invest real money in order to push through pro-German EU-decisions, Merkel and her minister of finance can now force their will onto their partners. The brutal dictates against Greece, Portugal, Cyprus, Ireland and Spain have been thought out in Berlin – the brutality of their implementation is the work of the German government.

German austerity is nothing special – austerity anywhere is the same, a restrictive economic policy. The difference when it comes to German governments and the capitalist class behind them is the vigour with which this policy has been implemented over decades.

Take for example the current political line of the Cameron government in Britain. It is presented as a tough, hard-line "saving" government, but at the same time – as far as one can judge from the outside – it allows for exceptions in several important fields. The British government seems to tread very carefully not to disturb the real estate boom. This kind of policy will do little to improve the balance of trade and current account deficit. A surplus like Germany's is not even the intended result – a major difference between the austerity policies of the British Tories and the no less reactionary and austere German economic policies.

Austerity in Germany is at least as old as the politics of neoliberalism. The latter became ruling practice in the US and the capitalist world when Ronald Reagan was elected US-president in 1980. A year prior to that, in 1979, Margaret Thatcher had become British Prime Minister and Paul Volcker was made head of the US Federal Reserve. He led the county into deep recession with a very restrictive course of monetary policy. Even earlier than that – astonishingly – was the switch of the German Bundesbank towards monetarism. On 5 December 1974 the bank announced a so-called "target for the money supply". These are the key-dates for neoliberalism turning from a belief or doctrine to actual implementation, which in Germany assumed the specific characteristics of austerity.

When the fixed exchange-rates between the currencies of capitalist countries were abandoned in March 1973, the heads of the Bundesbank found themselves – "at last", as they themselves noted – in a position to pursue their own monetary policy. This policy consisted of pushing up interest rates, aiming to break the "wantonness" of the trade-unions as they described it. To justify their actions the bank introduced the concept of "targeting the money supply (Geldmengensteuerung)", adopting Milton Friedman's monetarism. In those days the German Bundesbank was the only central bank not bound by any directives from parliament or government. As a result they were able to produce recessions or threaten a recession in order to dissuade unions from fighting for higher pay. To this day central bankers throughout the world hail the early successes of the Bundesbank in their fight against inflation. The power of this bank to push through anti-worker monetary and economic measures – if necessary against the will of the government – is a pillar-stone of Germany policy, much praised by the advocates of German austerity.

It must, however, be admitted, that in the context of the competition of imperialist countries against each other, this policy of radical austerity on the whole proved successful. The dominance of the Deutche Mark, its frequent revaluation and, as a result, the excellent financing conditions for Germany's capitalists laid the base which

Germany's current powerful position is built on.

As a result, a large part of the working population has apparently resigned to the course of austerity and concluded that it is necessary and even advantageous to them. The large industrial unions IG Metall and BCE (Miners, Chemical and Energy workers) make sure to keep wage rises below the increase in productivity in order to give the large German export companies more room to manoeuvre in their struggle against foreign competitors. The unions also accepted that the government headed by the Social Democrat Gerhard Schröder (1998-2005) "needed to" dismantle the relatively effective working system of pensions and unemployment insurance. This created a sector of low paid workers and private employment agencies, and thereby put existing wage levels under pressure. The outcome was a reinforcement of the exporting superiority of German companies compared to their foreign competitors. Capitalists, government, and their propaganda experts in science and media, have since been claiming tirelessly that unemployment has fallen noticeably since the "Schröder-reforms" and that the economic situation in Germany is comfortable compared to other European countries.

The main ideological leg austerity stands on is not so much mercantilism though – it is the stability of state-finances. This is where austerity becomes really popular – a scene which is probably similar to other countries.

The model-role of the "housewife from Swabia" (an area in Germany where people are said to be mean and save every penny) chosen by Angela Merkel is pure propaganda, you could even call it right-wing-populism. Indebtedness and debt itself are painted as inherently wicked. More Germany-specific is probably the successful roll-back of any Keynesian ideas. The growing government debt since the 1960s has been portrayed as the fault of Keynesianism, despite the efforts of Chancellor Schmidt (SPD, 1973-82) to run a counter cyclical budgetary policy. The mere mention of expansionary fiscal policies has been banned from political debates.

The social democrats are fully committed to the conservative agenda. They played a prominent role promoting the amendment of the so called "Schuldenbremse (brake on debts)" into the constitution. This binds all regional bodies to tight limits on borrowing. It is absurd that at exactly the same time as this constitutional change was made, the German parliament approved the largest ever subsidy to the country's banks - 480 billion Euro, which is 1.5 times the size of the federal budget.

The crisis of 2007, and the global recession that followed, pushed state-borrowing up throughout the world. German state debt rose from just over 60 % to over 80% of GDP. Parliament and Government ignored the very rule that had been written into the EU-treaties on German initiative and which fixed the debt ceiling at 60% of GDP. This disparity between treaty and reality was not a new phenomenon: it was simply ignored or vilified depending on the political environment at the time.

When G. Papandreou won the Greek elections with his PASOK party in 2009 and made public that Greece's indebtedness had for years been much larger than officially admitted, it suited German politicians and central bankers to shout "scandal".

The truth is that politicians in Greece, the EU, the heads of the Commission, the head of Greece's central bank Lucas Papademos, the main players in the markets, the rating agencies all knew that the figures declared by various governments in Athens had been manipulated. Just like Belgium and Italy, Greece had been admitted into the monetary union with far too much debt, measured by the Maastricht criteria.

The interest rates on Greek borrowing rose, the rating agencies lowered its score to junk status. Neither the central bank nor the governments of stronger Euro countries offered any financial help or provided guarantees. As a result, the interest rates on sovereign debt rose for several other EU-states, too, to an unsustainable level.

In Germany Ms Merkel said the "no bail out clause" in the Maastricht treaty would prohibit financial support of one EU-member for another. That was a blatant lie! The treaty merely states that no state can be held accountable for the debts of another.

This "alternative" reading of the treaties reappeared in the "aid package" for Greece which was negotiated in May 2010. The cost of this aid had risen during the preceding months and the conditions placed on Greece became more demanding.

All suggestions to loosen conditions for financial help to the weaker states in the Euro-zone were strictly and unanimously rejected by Germany's government, the Bundesbank and the ECB. Thus the rationale for weaker states to join the monetary union – favourable conditions to obtain credit – disappeared as the crisis deepened.

Tough austerity politics made Germany the crisis profiteer. Money and capital leaving crisis-hit countries headed straight for Germany. Interest rates fell – benefiting public budgets, banks and enterprises.

Next to labour cost the cost of finance is the second most important factor for industry. To be ahead in this field has become a decisive advantage for German companies. Their advantage is now threefold: A large open market without currency devaluation - low labour costs – and the traditional advantage of obtaining loans cheaply, just as if there were no monetary union.

No wonder they cling to austerity – it is the key to their success.

Lucas Zeise is chief editor of the German Communist Party weekly *Unsere Zeit*

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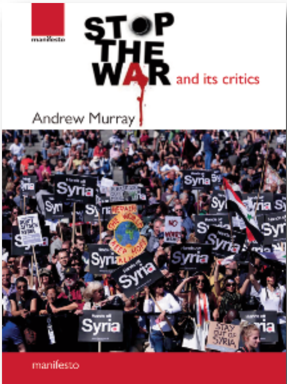

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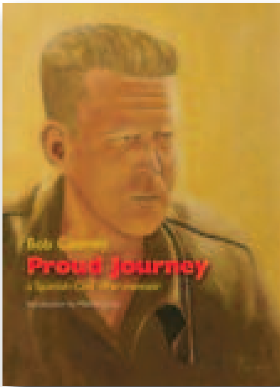

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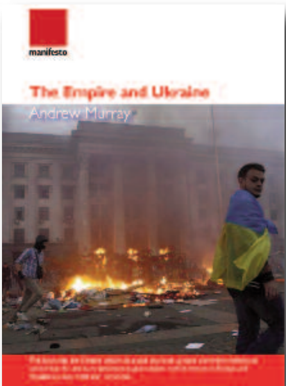

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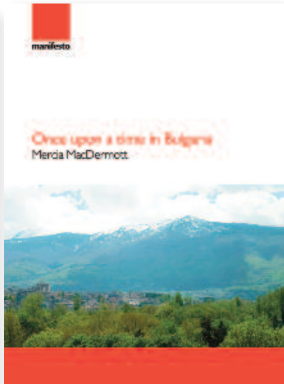

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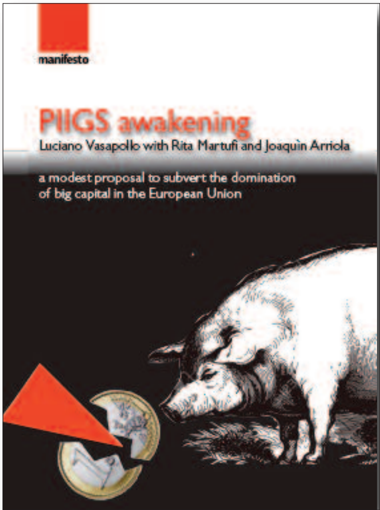

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