The following essay examines where Europe and the ‘West’ are heading, and the future, billions of people are facing. It is background to two further smaller chapters which will be available elsewhere.

"The EU is a Political creation not an Economic one"

There are a number of macro economic and financial policies which affect EU countries, the main three are described below.

1. Economic Policies in the European Union are defined by Institutional economic provisions, instruments of economic policy and economic and monetary union.
2. Monetary Policy in the European Union is defined by Institutional monetary provisions, direct instruments of monetary policy and indirect instruments of monetary policy.
3. All of the above are presumed to work within the free movement of capital which is also a specific EU economic and monetary policy.

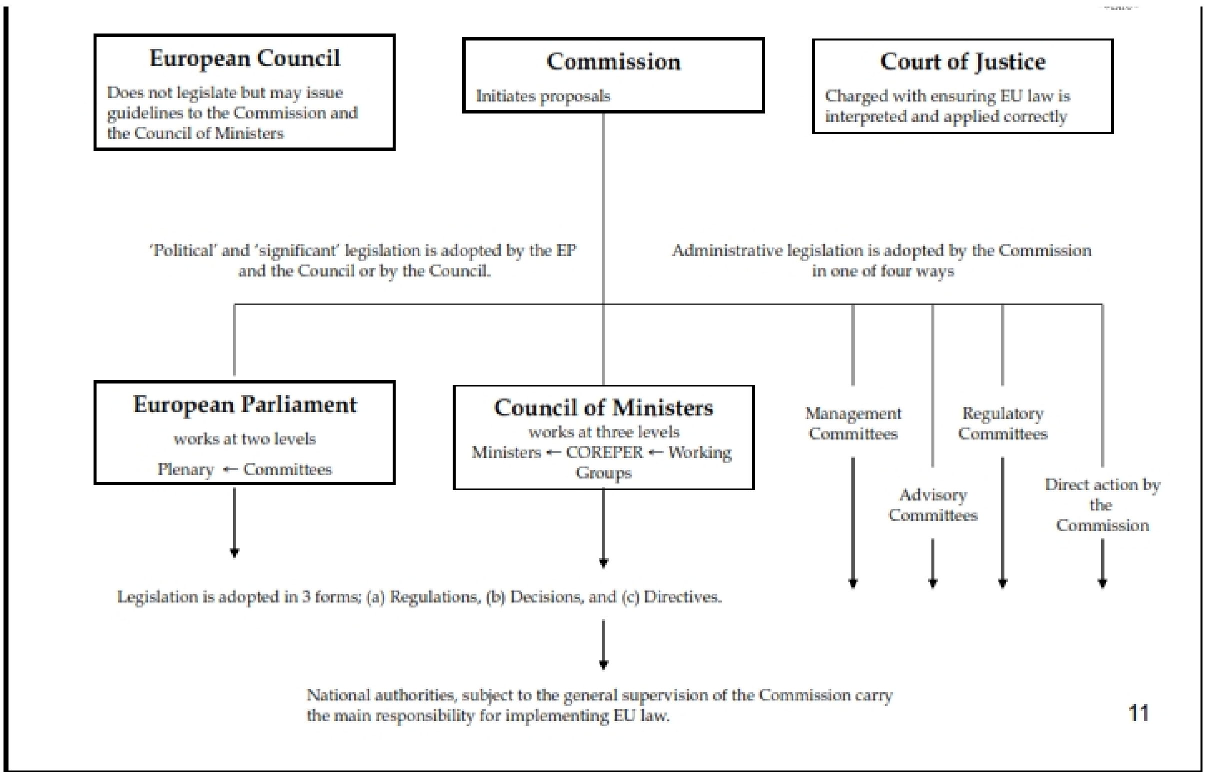
All three have a direct impact on the appropriate EU countries policy making process, and accession to the European Union and membership many of those policy making processes, although co-formulated with the EU, accession and membership have largely removed the final decision to the European Union.

These are existing financial policies outside of the Agenda 21 redevelopment and land rezoning policies for regional and local development, but they are likely to merge.

Policy and law from the top down, with elected elite to adjust legislation sideways on, ignores the need for real bottom up democracy and economic democracy. A nations representatives within the EU are of course a partner to those decisions, and some treaties under the *Crotty amendment* (Ireland) to allow referendums can be rejected by the people as a whole in Ireland or re-negotiated (or accepted, allowing the people to have a role in 'democracy') whilst directives and white papers, decisions and regulations can be directly shaped and voted upon by elected representatives in Dail Eireann.

Treaties however cannot be voted upon by elected representatives but directly apply and are legally binding. Other economic considerations are the requirements to fulfil 20/20 and 20/50 targets on CO2 emissions which will affect traditional industrial employment and labour levels, now and in the future.

The Making of EU legislation



Directives which are secondary sources of EU law, before becoming an act in a national parliament, are presented first as a green paper, which is debated into a White paper, to allow national input. Both green and white papers can be primary domestic legislation, or be influenced by EU law. The act which follows frames the regulation which people and institutions work towards.

Policies such as macro economic and financial policies precede legislation; treaties can only be tested by referendum.

The Euro currency circulates between and across the 27 member states. It is regulated by how much of it is in circulation at any time, which deflated and inflates periodically. It is also currently regulated by each member states fiscal policy i.e. taxation, and internal price setting to influence import and exports and the subsequent balance of trade deficits. Fiscal policy can also determine borrowing requirements, in each subsequent deficit year, whether trade reaches parity, or if there is a surplus in trade. Determining the balance of payments is the difference between the actual balance plus the cyclical component to bring the structural or cyclically adjusted budget balance.

Ireland (as one country) adopted a pro-cyclical growth strategy[1] with large public spending through the mid 1980's and into the millennium. From the early 1970s & 1980's Ireland had preferred a Keynesian expansionary fiscal policy when circulating the 'Punt'. 'Pump and prime' and cuts when the 1980s recession ensued. As the Punt changed to the Euro a Neo liberal expansionary policy to harmonise with the free movement of capital in EU economic and monetary policy reigned. Internally expanding tax base or more indirect taxes, would contract economy, spending on public resources would expand economy.

This left EU countries with only national fiscal policy to determine its internal economic position, which is the same with other accession members with in the EU. Any changes in methods of inflating or deflating the economy would only arise if politicians directly determined monetary policy or chose some other method of the Euros circulation. A direct change in philosophy by the central banks would also affect EU economic policy and would require national fiscal adjustments to balance the national budgets.

As it is ECOFIN[2] (The Economic and Financial Affairs Council) and the Broad economic policy guidelines (BEPG)[3] would have to change that policy philosophy or a crisis and/or collapse in the economy would need to occur. Other than that, this aspect of everyday EU policy is outside of the control of each member state and its citizens. Problems or miscalculations during the four or five year period in-between election voting could either spell disaster or parity for any budget, which in trying to discern the actual budget balance and difference between the cyclically adjusted budget balance voters often are left baffled or bereft of actual choice. Moving from Keynesian deficit spending (requiring definite borrowing) to structurally adjusted budgets to hopefully produce parity or surplus in the economy, and still require borrowing at interest is a harder feat to achieve in the eyes of the public realm.

The most powerful European influence, outside of the City of London, has been the Bundesbank. It adopted strict anti-inflationary principles formulated from a keen independent spirit, and fear of hyperinflation in the end of world war 1 to 1923 and into the 1930's, and a consequent mistrust of the League of nations, and the treaty of Versailles, scarred with also the need to rebuild Germany following world war 2.[4] Independence and the 'German problem'[5] and the view that Germany was responsible for both world wars[6] led to a "intense Bundesbank distaste"[7] to the new proposed Euro-bank as the institution of European money. *(Especially since Kaiser Wilhelm was queen Victoria's grandson WW1).

Germany was divided between east and west following World War 2 and fiscal policy was immediately and predominantly decided by the central committee of the socialist party, whose headquarters were (subsequently following Russia's invasion of Hitler and Berlin) in the ministry of financé in the old Reichsbank (existent from1876 until 1948) building, this morphed into the *Bank deutscher Länder,* which in 1957 merged into the larger Bundesbank.
In 1948 however Soviet Russia and not the Nazi party quickly moved from noble victors to become a threat "the Soviet Union was replacing Germany as the perceived principal threat to democracy"[8] Hitler and Stalin invaded Poland in 1939, although Stalin was sixteen days after Hitler.

The new West German Chancellor Konrad Adennauer, (1949 – 1963) agreed with America that the new Germany should become instrumental in shoring up the European defence strategy and incorporate itself into the western European mainstream so encouraging inter state integration and co-operation[9] A view not shared by the emergence of the Red Brigades or Baadar Meinhoff (Red Army Faction 1968 to 1998) which although largely Urban in its guerrilla warfare tactics did bring Germany to civil war, and attracted a large international following, which persists to this day.

Fearing a fascist state was emerging, and by fascist RAF meant nationalist but with a single party state, as of course the RAF were anti-imperialist, and inter state co-operation and European integration meant to them, a hierarchical dethatched structure of elites and surfs regardless of what model of Governance the EU adopted. However Germany was divided, including economically in experiment it did not alter the RAF's aims.

A one party state could also mean three (or more) political parties posing as separate political parties, with variants form left to right in colour, tone and most importantly media rhetoric, when in fact they are the same party separating the public from economic participation, acting as a buffer between the economy and the population. A vanguard could also become fascist (despite the juxtaposition in accepted political terminology) if separating the public from the real economy.

Adolf Hitler's economics inspired by the conservative Hanseatic League of craft guilds, who did not value a commodity on its ability to 'turnover' quickly, but rather upon its intrinsic value. He viewed the fixing of prices based on the law of supply and demand as a fallacy, when a price should be its intrinsic value alone[10]. Supply and demand theories adopted by Adam Smith in his Wealth of Nations, however were largely built on rural societies and agriculture and Hitler had experienced the Currency devaluations of 1918, and the Wall Street crash of 1929. Adam Smith a proponent of free trade, would not have recognised either the capitalist or socialist economies of Hitler's era.

Taking over from the demoralised right wing German Workers party, in 1919, after being sent to spy on them by the German Army, Hitler remodelled its philosophy into 'true socialism', a national socialism, in which those in the Fourth estate (or proletariat, working class) would be dissuaded from revolution by adopting a national wage "To do so a nationalist programme would have to be balanced with a few Welfare state measures. Such measures would be the price that would have to be paid to lead the masses back to the nationalist camp"[11]

Critics of this approach and although members of the Nazi Party (NSDAP), and its brief existence as the National Socialist Freedom party, still suspected that one of the aims of National Socialism was to smash the Bourgeois system. Emil Kirdoff was one such critic who resigned from the party in 1928 (but who still remained very influential to Hitler) disgusted at the newspaper *Die Neue Front*, a “small leftist Nazi newspaper published in the Ruhr, printed a bitter attack on the Rhenish-Westphalian Coal Syndicate in August 1928”[12], he was overall generally disturbed by the leftist elements in the Nazi party.

Although the leftist and anti nazi conservative elements in 1934 were purged by Hitler by assassination, the left views were in line with Hitler’s own social views, and were often more virulent in there nationalism and attacks on capitalism. Despite burning the administrative centre (the Reichstag) Hitler left control of the army to General Hindenburg, whereas the left or *Strasserism* (Otto and Gregor Strasser) contemplated a pact with Soviet Russia, stating that Hitler had left the revolution only half done. They wished to re-distribute the wealth and bring the workers to rule Germany directly, whereas Hitler preferred a more authoritarian top down rule, which meant any and all opposition, would have to be crushed.

Otto was a member of the Red army faction (*bader meinhoff*) in later years, Gregor was assassinated in 1934, and his writings also influenced the National Front in and the Third position (beyond left and right) in Britain.

The Bourgeois system or The Third Estate (deriving from a town land or walled city or Burg) for the large part a way of life for hundreds of years, growing as it did out of the feudal era, into the new business class, the intelligentsia, who kept the legal and military walls of control between the rural or town and city workers, and the landlords. The term estate is not just a term for land but also for the class of people upon it. Generally the estate(s) of Clergy, Nobility and Commoners derives from the Holy Roman Empires *Imperial Diet* or *Reichstag* which although limited had no one person higher except the emperor. Feudal society developed this idea from the ninth to the fifteenth centuries, as the first, second and third estates, and with the 1750’s the fourth estate or bourgeoisie of landless commoners but with privileges developed, until the Glorious Revolution of Willaim 111 in 1689, brought down the first estate and reclassified the fourth estate or Bourgeois to the third estate not by land but by privilege. Karl Marx in 1867 recognised that the fourth estate as a proletariat of workers, who had always existed as commoners which the higher estates relied upon to work their land(s)

Hitler burnt the Reichstag building in Berlin in 1933. The German empires parliament originally opened in 1894, and it obviously sent a message to Rome.

Another Nazi party member who had his feet in ‘both camps’[13], (like Kirdoff) was Hjalmar Schacht, later Adolf Hitler's finance minister, and director of the Reischsbank forerunner of the current Bundesbank, although he sometimes maintained he was not a Nazi party member, he had served as a member of the Workers and Soldiers Council (a soviet council) in the borough of Zehlendorf in Berlin in 1918[14].

Schacht had fought hyper – inflation by arranging loans from foreign bondholders, and he invented the MEFO Bill (*Metallurgische Forschungsgesellschaft company or Mefo for short*) which worked only as a book entry internal circulating currency. Stamps are an internal circulating currency, but this ingenious method, namely account book credits convertible into Reichsmark’s on demand were very successful.

Getting around the restrictions of the treaty of Versailles of 1919, the internal currency carried no interest payments (as foreign bonds required) and allowed the government deficit to increase, beyond its tax revenues. <u>A debt to itself</u>.

Schacht told Hitler that “re-armament was the task to which all else must be subordinated, but at the same time, everything must be done to avoid inflation – a snake which bites its own tail. In a boast which he knew would carry particular appeal for the Furher, Schacht revealed that foreigners frozen Reichsmark accounts were being secretly channelled into the arms industry. ‘Our armaments’ he gloated are being financed by partly with the deposits of our political opponents”[15]

These two methods were complimented by funds from Wall Street, which also lent to the Soviet revolution of 1917, and the Bank of England also arranged finance for the Nazi party.

Germany was suffering from reparation payments to the allies following world war 1, and reducing these payments also meant new loans could be made.

The leftist element in the Nazi party, shared one principal objective with Mussolini, who also regarded the Bourgeois system as impeding development. This view also synonymous with socialism which regarded the Bourgeois system as a positive and inevitable step in human history, but one which would give way to Socialism and into Communism.

Whether *Die Neue Front* as leftist Nazi's or Mussolini's Fascism shared that view of historical development is doubted by the left, who view the proletariat as winning the means of production via revolution, and bringing Socialism and Communism into this new reality.

Karl Marx[16] published his *Capital, critique of political economy* in 1867, and whilst accepting an exchange took place between employee and employer, he also viewed the pricing of this exchange as favouring the employer, and therefore the exploited worker was either left underpaid, or has worked to many hours for the contracted pay. They will therefore remain landless or unable to buy or hire the means of production to improve their quality of life and social standing. This is deliberately arranged by the Bourgeois, landlords and capitalists in order to exploit a profit by surplus labour, as such labour is the source of all profits Marx maintained.

Critics of Karl Marx objected to this mathematically proven theory, stating that if any exchange between employee and employer took place it must have been a voluntary arrangement for it to have taken place at all. Yet the starving or landless, like the Harijans or *untouchables* in the Hindu caste system being the lowest could never achieve Karma. They could never become re-incarnated into a higher caste due to their past sins. They had little choice but to volunteer their slave labour, or to starve or wander the earth, and in effect were even outside the caste definitions.

The lowest caste or poor with their unknown or alleged past sins (also committed as the lowest in the caste system in a previous existence), was proof of their sins alone. The invisible proof being their current state as the lowest in the caste system. A state which would perpetuate for ever. Buddishm or the middle way grew out of this system, as a revolutionary idea which maintained the Harijans or *untouchables* could be full members of society in this world and the next.

Since the higher caste's owned the means of production and its property rights, the workers as consumers, are perpetuating their condition, because the owners (employer) are not encouraging the

voluntary exchange to enable *production and to make goods and services*, but in *reason detre* to produce *Capital* only (money)
Marx proved a commodities price is due to the value of labour (production) not supply and demand.

Therefore equating this voluntary exchange with a value must necessitate the employer calculating the upkeep and purchasing of new equipment and factories and an extra profit in order to maintain a life.

"Although many professional economists rejected Marx's contention, they were troubled by the widespread acceptance of his idea among leaders of the working classes. As result many economists felt a need to <u>recast economics as a science of exchange rather than production.</u>"[17]

Marx a German as was Lenin and Trotsky however preferred to analyse the effects of profits from production to show the worker was exploited to produce those profits.

Both Hitlerism and Communism (the communists received half as many votes as Hitler in the German elections of the 1920's and early 1930's) shared a view that this exchange based upon supply and demand was in error. The left viewed the solution as revolution or strike for higher pay, or shorter working hours and/or better conditions (and/or land), whereas Hitler maintained a generous national wage minimum would dissuade revolution. Both agreed (as Hitler had experienced himself) that poverty, and extreme poverty and hyper inflation were enemies of the people and nations.
Whether a society accepts the class system exists, or is classless, broad parties offering choice or with only a choice of one party, fascism still rules if the public are only spectators of the economic, commodity ownership system.

Critics of post modernism generally state that the left has to large extent generally abandoned Karl Marx's economic *Marxism* for a general relativism internationally. Internationalism however cannot exist without Nationalism first. The working class are caught between these two political ideologies, which are centred by the economic theory surrounding labour, surplus labour price theory, profit and poverty. In truth most people do not think upon them, but are left to choose a political theory or party, which are in turn based upon these economic principles.

The reality is debt, borrowing, deficits, deflation and inflation negate these economic principles in practice, especially the debt question.

These questions which if solved from the working class upwards (in this age of the middle class or bourgeois destruction) will strengthen a nation and extend the revolution internationally.

George Marshall the US general and his aid plan in WW2, helped to shape the expansionary policies the Western Eu model would take. The Marshall Plan or European Recovery Program, followed the **Bank of International Settlements (BIS)** Bretton Woods agreement, which although was also a disagreement between George Maynard Keynes and Harry Dexter White (who was a communist), Dexter Whites economic view held sway. Europe was expansionary[18] in its fiscal policy as a result, although expanding via Keynesian fiscal policy would suit the IMF, the World Bank would follow Dexter Whites 'monetarist' policy philosophy, and he also oversaw also the IMF. Both Keynes and White were committed internationalists and the USA would become the dominant World Bank with London as its fiscal partner.

To join the World Bank you first have to join the IMF its sister bank.

Contentious features of the IMF and World bank, which grew out of the City of London, concerned its immunity from prosecution, in national and international law and its uncontested right to demand funds from national governments whilst re-loaning these pooled funds back to nations.

The Marshall Plan also provided roots for the OEEC, later the OECD, whose aim was to disband barriers to expansion and co-operation[19] NATO was also very persuasive and Brussels was an ideal centre for expansion.

Keeping to the Gold standard was Harry Dexter White main concern and allowing the Austrian School of strict anti-inflationary principles to win out over Keynes less regulated model, which may also favour the International Monetary Funds view. **(Boughton)**

Europe had been United many times before, whilst Americas ‘United states of Europe’ (looking at it from a native Americans point of view) took only ten years to build in institution, Europe’s new Reich was taking centuries[20].

Centuries of debate surrounded the ‘banking schools’ and the ‘currency schools’ a further view concerned the (supposedly) “free” banking experiment in Scotland. The Free Banking School identified the root cause of recurring economic disturbances in the legal monopoly of the Bank of England over bank note issue. Consequently, it favoured subjecting the Bank of England to competition in bank note issue as the best means of checking credit fluctuations. Going beyond the controversy of the Currency School versus the Banking School, Professor White focuses on the previously overlooked Free Banking School, which questioned the basic premises of the other two, which drew him closer to the Austrian school than the Keynesian view, but not to the USA and the Chicago school promoted by Milton Freidman amongst others, who did want to check inflation, but who viewed or preferred an elite structure to the ‘ownership’ of money.
(White 1982 & 1987)

In the post war expansion the IMF was to alleviate currency instabilities when deficits in a countries spending accrued, it allowed for short term loans to bridge the gap, whilst the World Bank provided long term loans for development. A step further was the creation of GATT or the General Agreement on Tariffs and Trade to provide further global stability, whilst the Bank of International Settlements (BIS) the forerunner of the Basle accords from Switzerland, was also influenced by the Austrian school of strict anti-inflationary principles.

Instrumental in the Reichsbank and BIS was Emil Puhl who had also supported anti-inflationary policies from 1935 to 1948 and beyond[21] Puhl was also a member of the Nazi party under Adolf Hitler[22]. Harry Dexter White wanted to disband the BIS bank whilst Keynes and the British favoured its continuance[23].

The stability and growth pact has its roots in this European conservative desire, which also is destabilised by the 'North South' often expressed as the North Protestant, South Catholic axis, amidst the East West polarised Capitalist Communist axis.

As Ireland, has both circulated the £pound Sterling, the Punt, the Euro, and has received Foreign Direct Investment from Europe and the USA, as well as influences from Marxist and socialist economics and wider, the aim of funding and its consequences for regions on the 'periphery' and the major cities and towns of Europe are set against this background.

World War two left Ireland and many European countries poor in terms of cash/credit investment[24], but rich in natural assets, having removed itself from the economic straightjacket from Britain, its eventual EU accession allowed it to take advantage of inflowing funds from the EU[25]. Despite this Britain still remains its number one trading partner for exports, although it has now lost its large fishing waters[26] and its ability to set larger fishing boats into depleting fisheries, than it did in 1973 when is acceded[27] but its GDP expanded by 140% between 1987 to the year 2000.[28] Having recovered from the 'self inflicted wound' of Keynesian expansion in the 1970s and into the 1980s[29] Irelands recovery and spectacular success involved the combination of Foreign Direct Investment, stabilisation of the public finances, an improvement in competitiveness (presumably neo-liberal competition in business, profits and wage demands) and a highly educated work force.[30]

Laffan and OMohaney suggest that the convergence of these vital factors should have began much earlier in the mid to late 1970s after Ireland joined the EU in 1973, although the energy crisis of that same year meant world wide turmoil, a removal of the Gold standard by President Nixon, and a less regulated US global economy consequently set the world economic tone.

Frances Ruane looking back at the period, primarily focus's on the manufacturing sector, asks whether FDI in Ireland was a result of decisive policy making or whether it was simply following the market as a host country [31] in a neo-classical model of growth. Ireland in effect Ireland 'picked winners'[32] and also had to play 'catch up' with other developed countries, within a system imposed upon it or chosen depending on how you wish to interrupt changes in direction in economic policy. The receiving country of FDI possibly has to come to terms with the following;

"The absorptive capacity of host economies – how to become attractive for FDI
the donor country generally looks for highly educated human capital, a good infrastructure, high levels of research and development (publically funded), adequate legal structure, and private infrastructure, and if these are in place the spill over from the donor's corporations will be higher as the host is able to take immediate advantage of the donor's capacity to bring growth.

If the host country is weak in these areas or many of these areas an added incentive of 12.5% corporation tax may increase the attractiveness for FDI, or "10% 'grandparented' up to 2010 for all companies' already in operation"[33]

This re-alignment of Irelands tax rate with the Treaty of Rome[34] was instigated following on from the 1950s when all export led profits were given a "holiday"[35] for 15 years. The treaty signed on 25.3.1957, brought about the European economic union on 1.1.1958, four years before the opening of the US embassy in Ballsbridge in 1962, which had been under construction for two years previous. The US had a federal system, a United States with one fiscal office as is proposed by the European Union also. The US has conceded some fiscal autonomy to states which have threatened to leave the Union, yet now the US is also in huge debt.

The ESRI (Economic and Social Research Institute) and Whitaker (its founder) would become very influential on Margaret Thatcher, who like the Irish Labour party opposed Irish EU membership[36] Whitaker believed that free trade and an end to protectionism would rescue Ireland from its stagnancy in the late nineteen fifties.

"Whitakerism" which moved away from Keynesianism, but which still sourced its prices for import and export from the same Central banking system which Whitaker would later become head in Ireland. Since prices are set by the cost and supply of money and expressed as a value in monetary terms, the supply and demand curves are not determined by how much people need, but on how much they can afford to borrow, or to pay, determined by their wages which is also borrowed currency at a cost. Open market operations which deflate and inflate the currency determine how much the currency is in circulation and therefore its value and therefore prices. It drives the market, it does not wait for the market.

“Whitakerism, the attempt to stem emigration and create employment through economic growth generated by opening up the Irish economy to foreign capital and competition has been a terrible mistake”   “I say this for two reasons. One is that today’s jobs, and the Irish economic system as a whole, are far less sustainable that they were in the 1950’s. The other is that the process of generating growth has badly damaged Irish society” [37]

Douthwaite writing in the year 2000, against the grain prophetically predicts the badly damaged Irish society. One of many societies not living beyond its means, but within a flawed monetary system.

“The crisis which led to Whitaker writing his report arose because of short lived imbalance in Irish trade with the outside world. This being so, it is odd that his solution was to expand overseas trade rather than to reduce it, thus increasing the risks which the country ran if similar problems occurred again” [38]

&

“Because their productivity had not increased, the price of their services has to go up if these increases are to be given, this means two things. **One is that the growth process is inescapably inflationary**, the other is that the national income figure will be distorted by the service-sector wage rises because although incomes in it have increased, the sectors output has not.”[39]

This is explained by Professor Richard Tol former employee of the ESRI (Economic Social research Institute) think tank, who on being asked to leave the department of finance institution in early January 2011 simply stated that Irelands economy like the world economy is collapsing and faces another <u>ten</u> years of austerity budgets [40]. (unless debts accrued by a bad system are cancelled)

This said the balance between expansion and associated large scale contraction and social protection, reverts to social protection measures as defined by political parties, and in 1993 when the Neo liberal[41] philosophy of the Maastricht Treaty, restricted Keynesian increases in Government spending with an emphasis on strict anti-inflationary measures and fiscal prudence[42] (The Trojan Horse of Neo – liberalism or New Labour) The British Conservative party opted out of the social charter until a new Labour Government signed it in 1997. The OECD however attacked employment protection and what developed was a two speed Europe[43].

Further the slower speed was also not along lines of Marxist ideology but Neo-liberal labour policies, which despite the social charter did not give Unions or the mathematical principle of labour exchange value (higher wages, shorter hours) back to the workers, but did insist they had a right to work in good or sanitary conditions. The left had shifted to the centre, and the centre had shifted right. Today for example exports have risen but so to have imports, and weak co-alitions who have compromised their views are preferred in the free movement of capital which opens up co-operation and integration, as it provides a weaker engine of protest, one of being in office and not in power.

Along with a prospect for larger farms with less workers, which was also a fear of *Raymond Crotty* in the early 1970s who opposed EU membership, unemployment and a rise in people living in Cities, meant a service, borrowing economy/country with less production and manufacturing.[44] Crotty also challenged the EU accession winning the right to referendums on treaties in Ireland.

This lack of real social protection was a result of a EU system structurally orientated towards a market economy and a lack of multidimensionality of the planning process[45] the increase in GDP per capita was not redistributed to even out incomes, and was not a trickle down cure, further this situation was a 'global inclination' not a accident.[46] Although benefits from the European social Fund and regional development have brought training and jobs, the overall concern of the commission since the signing of the treaty of Rome, has been central economic policy, in which the need to reduce social protection and provide a more flexible labour market has been overarching[47].

Social needs are resolved in theory by providing competition at local level, in which the winners and losers will create more demands on national and EU policies to aid these areas which will be predominantly Urban, or under developed rurally[48]. Since competition is fuelled by profit[49], and as profits have a tendency to decline over time, monopolies form and employ fewer and fewer people. Such as in large companies or in farm ownership and production[50]. Urban policy or social policy as they entwine often is not co-ordinated with economic and employment policy.[51] What is promised by the structural funds is far less than promised.[52] And relying on the decentralisation or centralisation argument at national or international level will not leave a country adequately prepared to deal with Globalisation and Europeanization.

This was a similar situation with many EU countries.

The Werner plan, the European Monetary Union and the Maastricht treaty have all followed integration and liberalisation of the labour market, initially George Marshall and his plan was to ensure Germany and its problem never had a chance to destroy Europe again[53]

Germany however was rebuilt after World War 1 and World War 2, as it was a bulwark against the rise of soviet expansion. Hitler in the early 1930s, was named a champion against Bolshevism by high society in America and Britain, including Winston Churchill and Henry Ford, yet Soviet advances in arms, infrastructure and philosophy was also heavily financed by Wall street[54] and the City of London[55]

Soviet Russian banknotes in 1917 designed by Latvian Rihards Zarins, showing inverted Swastika mistakenly associated with only the Nationalist Socialist political party in Germany 1930 - 1945

The Delors report of 1989 called for *one market one money* but did not recommend total political integration yet, although success had come along way since 1970 when Euro sceptism was higher[56]. With the one currency and integration and liberalisation of markets a call was also made for the

"elimination of margins of fluctuations and the irrevocable locking of exchange rate parities"[57] Britain under Margaret Thatcher although a signatory to the ERM or EMU said it was now tearing the heart out of parliamentary democracy[58] However EMU was not a completed instrument and member states are treaty bound to only to co-ordinate their economic policies within ECOFIN (The council of Finance Ministers).

Through the Stability and Growth Pact which allows ECOFIN (whether the member states budget is in surplus or deficit) to set;

"medium term objectives of budgetary positions close to balance or in surplus, which will allow all member states to deal with normal cyclical fluctuations while keeping the government deficit within the reference point of 3%"[59]

To understand the *fluctuations*, most borrowing is made via bonds which the Government underwrites, and taxpayers, as recent events have revealed pay back from taxes (direct and indirect). Bonds need to fluctuate as interest rates also fluctuate to control inflation, both nominally and real interest rates. Every loan always has two interest rates, which is itself inflationary.
Irving Fisher invented his theory on interest and inflation. (as follows)

r = real interest rate, i = nominal interest rate, π = inflation ($\pi = I + R$)[60]

Therefore $i = r + \pi$, $r = i - \pi$, (with compounded future interest) = $i = r + \pi e$ & therefore $\pi = i + r$

Bonds issued without interest = 0 π.

And liquidity for massive public bonds (or increase in money circulation, but not as debt) for 100% employment will always be in demand.

Compound interest and its formula are also intrinsic to inflation [61] $A = P\left(1 + \frac{r}{n}\right)nt$

Perpetually compounding either periodically or continuously equates to growth which is impossible to meet.

The Bundesbank saw controlling inflation not just as a science but as an art[62], one which if large scale quantitative easing occurs must have its balancing instrument in Austerity (a see-saw away from the poor)

The gold standard was abolished in 1973, and it is place, a similar arrangement to the 3% deficit was undertaken. Making 6% and 3% either side of 0 allowed the Dollar to fluctuate and became known as the Snake within the tunnel[63], The Bundesbank officials sat with a dollar note hanging down from the ceiling in the main floor.[64]

If a scale of one to ten is adopted with the higher classes being 5-10 and the lower 1-5 then quantitative easing as bank bailouts are bailing out the economy of 5 – 10, (by buying debt) whilst austerity consumes 1 – 2, but begins to erode 3 and 4 and with further IMF repayments (if chosen as an option or short term loan) eventually 5 -7.

Just as Moulaert explained in *Globalization and Integrated Area Development in European Cities page88* **"the increase in GDP per capita was not redistributed to even out incomes, and was not a trickle down cure, further this situation was a 'global inclination' not a accident"** Quantitative easing could be **liquid** if not delivered as an interest bearing bond to but existing debt, but instead for public needs. In anti-austerity measures liquidity certainly is in demand nationally and internationally. It would also even out wage discrepancies.

Yet society is not considered as viable, when Private Central banks (why are they private) could lend directly to Government or indeed to Business. The instrument which takes away risk for the 'private' central banks is a underwriting by Government and government taxes and taxpayers (you) ?

In 2002 Ben Bernanke suggested making interest rates to Zero %, to ease a credit crisis and avoid a repeat of the great depression, when credit was frozen causing hardship and poverty to business and consumer alike and also mass unemployment. [65]

Inflation and its causes have always irked the public, especially when shopping or sensing their wages but less. Inflation in the middle ages meant bread was the same price for 200 years.

"In the 1970's, the public became irritated with inflation, but even then, it did not usually connect inflation with monetary policy. Instead, the public has been conditioned to blame inflation on 'excessive government spending'"[66]

Ben Bernanke is the current chairman of the Federal Reserve Bank in America, arguably the largest lending institution in the world and although he has said that many decisions of government are government fiscal policy decisions alone.

"The arithmetic is, unfortunately, quite clear. To avoid large and unsustainable budget deficits, the nation will ultimately have to choose among higher taxes, modifications to entitlement programs such as Social Security and Medicare, less spending on everything else from education to defence, or some combination of the above. These choices are difficult, and it always seems easier to put them off, until the day they cannot be put off any more. But unless we as a nation demonstrate a strong commitment to fiscal responsibility, in the longer run we will have neither financial stability nor healthy economic growth" [67]**Bernanke, Ben S 2010**

<u>It is obvious that monetary initiatives are framing fiscal objectives</u>. Bernanke like Milton Friedman believed it is simply possible however too helicopter in large amounts of credit (by quantitative easing, or a credit glut or outpouring) to curb deflation and stimulate the economy (monetarism), yet still simultaneously require fiscal tightening to

"To avoid large and unsustainable budget deficits, the nation will ultimately have to choose among higher taxes, modifications to entitlement programs such as Social Security and Medicare, less spending on everything else from education to defence, or some combination of the above"[68] **Bernanke, Ben S 2010** and therefore also take a Keynesian philosophy, in effect separating the two theories from a standpoint of a monetarist position or institution.

In other words having (almost) two methods of finance running alongside each other, one bailing out the banks, the other restricting credit to governments and departments of finance.(i.e. society), but this is also recognised by Nobel peace prize winner Muhammed Yunus

"Can conventional banks run microcredit progammes ? Of course they can"[69] **Yunus, Muhammed. (2007)**

Whilst Marxist economics are entirely controlled by the state, (post earlier Soviets) including the means of production, Under National Socialism the veneer of private ownership is maintained, but actual control lies in the state, exercised via regulations and government controlled trade associations. In so called free enterprise economies both the means of production and the economy and banks are controlled by private concerns with only a veneer of government, whilst Keynesianism provides a third way, called interventionism. The free market is kept but is massively regulated and interfered with to support the Bankers Prerogative to create their own money from thin air. Such practices are incompatible with the gold standard, Keynes advocated in his book the General Theory that the gold standard be replaced with a 'green cheese factory' in the form of a central bank.[70]

"In this way, the interest rate becomes the essential element of the economic activity. This interest rate is considered by Keynes as a pure financial variable which level is determined not by the supply and demand of loans (as the traditional economics assumes, because the supply and demand are not linked) and rather by the supply for money and the demand for liquidities. Consequently, the interest rate is transforming, according to Keynesian theory, from a price determined by the trade off between present and future, in a price of money or, in other words, a price of liquidity. In this context, a decrease in interest rate is the same with an increase in the quantity of money and because "free market economy is like a broken car or a car without a driver" [Skousen, 1997]"[71] &
Serban, Oprescu George-Laurentiu, Serban, Oprescu Anca Teo Dora (2000) page 471

Fiscal policy trying to disguise inflation (a permanent tax, leading to deficit spending), has to employ managers or surveillance of the tax intake and government spending, to sound scientific. Announcing in the early parts of the 20th century a €5 Billion public debt, or in the 1950's a €20 billion, to €60 billion in the 1980's and then €150 billion by the millennium until an entire countries GDP is billions under its debt, has taken verbal gymnastics and deception into an artform.
Speaking on this phenomena Pereleman states,

"The new terminology had other appeals. Economists had long considered physics to be their premier science. The seemingly more scientific term 'economics' was intended to sound scientific – like physics. More important by claiming to be objective scientists, economists could presume to be above politics"   " They pretended that their scientific analysis allowed them to represent the best interests of society" [72]

Liquidity demands that assets can be quickly turned into cash, and it is assumed automatically that printing money underwritten by taxpayers / society is a private asset. Nobody thinks and a herd like mentality takes over and the illusion is hidden in the detail. It is considered rationale behaviour, until the bank bailouts amidst austerity shown simultaneously on television or discussed by respected economic pundits causes surreal and absurd contrasts.

Quoting Japan and its liquidity trap (often quoted against lowering interest rates) when interest rates were at 0% (no one bought its bonds) misses the point that its national money still circulated, and could have lent internationally against collateral. Debtors still have to repay a non interest bearing loan, just as much as a interest bearing loan, risk is still *the best of all worlds* The British Government lends Royal Dutch Shell Billions as interest free loans, and its balance sheet reflects the repayment.

Ben Bernanke in his speech to the Federal reserve bank of America in November 2002,

"But the U.S. government has a technology, called a printing press (or, today, its electronic equivalent), that allows it to produce as many U.S. dollars as it wishes at essentially no cost. By increasing the number of U.S. dollars in circulation, or even by credibly threatening to do so, the U.S. government can also reduce the value of a dollar in terms of goods and services, which is equivalent to raising the prices in dollars of those goods and services. We conclude that, under a paper-money system, a determined government can always generate higher spending and hence positive inflation.
Of course, the U.S. government is not going to print money and distribute it willy-nilly (although as we will see later, there are practical policies that approximate this behaviour). Normally, money is injected into the economy through asset purchases by the Federal Reserve"[73] Ben S. Bernanke, Federal Reserve Board (November 21, 2002)

Just as war planning improves efficiency, peace planning can also match this benefit to society. If money is (and it is) printed out of thin air, debt can disappear into thin, and infrastructure and society's needs can be (not just a theory, but a fact) realised without increasing taxes (or indeed collecting taxes) or without as Karl Marx states the need of national debt making, or national debt retention over one or many years. He suggested criticism against national debt making was akin in economic circles as blasphemy against the Holy Spirit in the Church.

The banking system which failed, is a story of the failed private system which is no longer private or entrepreneurial, as it took taxpayers to bail them out, and rather than admit this the banks were nationalised to a high percentage (80 – 95%) so nationalising all the debts onto the public and public sector which it claims is a bad system, and kept the remaining 5% to 20% untroubled or viable part of the business as private.

As the inflation and expansion of the money supply increases, and as the deflation and decreasing of the money supply decreases, the value of the available currency is regulated within this monetarist model.

As the currency is the method of exchange within this model, the general level of prices of goods and services is set by the rise and fall of the amount of currency in circulation, since the currency and its value is set by this system.

"One reason is that some believe that the charging of interest sets up a growth compulsion in the economy and that, as perpetual economic growth is unsustainable, the development of a no-interest bearing banking system is a key towards building a sustainable economy"[74] Douthwaite, Richard and Jopling, John (editors) 2004.

Therefore can the highering and lowering the rate of the interest charged to the public and business on monies in circulation, control inflation, and therefore prices (*Hill, Griffiths & Lim 2008 page 3*)[75] or further exasperate inflation of goods and services, (*Soddy Frederick Professor 1961*)[76] or can fiscal policies such as income tax rates and decreasing or increasing government spending bring about the same result. (Freidman, Milton (1968) A Monetary and Fiscal Framework *1968)*[77]

Quantative easing therefore, should not be buying up a nations debts, but should be directly used for a nations benefit for production and employment. Debts which should never have existed, increased by unnecessary interest charges. Therefore cancel all the worlds debts.

The recent Libor and Euribor bank interest fixing scandals have shown that society is paying unnecessary interest charges to the tune of trillions annually, money which could have been invested into job creation and social needs. The outrage concerning this scandal which has enslaved humanity cannot be underestimated.

Bail out the people not the banks is the demonstrator's slogan. This needs to be planned into the planning and economic systems.

<u>Self employment, business, corporations, cartels and multinationals.</u>

Against this backdrop the misnomer and perpetuated illusion of **Perfect competition** is created. "Above all economic theory teaches us that we should rejoice that markets set prices at a level that equates supply and demand"[78]

Management problems not the workers are to blame for production errors, and corporations which invested in higher wages and better working conditions prospered. The real problems are looked at here.

Economists and economics and its assumptions and models assume that in the world of 'perfect competition' a normal rate of profit is determined. A standard explanation is the cost of production is the extra cost of one more unit of output, combined with a extra amount (undefined) to allow for the *normal rate of profit*, known as the marginal cost.

"this idea that with perfect competition the cost of all commodities will equal marginal costs is the foundation of conventional economics, the notion of marginal costs is the lynchpin of price theory"[79]

Perelman points out that this notion which is not scientific but presented as science, has a number of erroneous assumptions which are costly to society and to individuals or social ventures.
He cites the example of a child setting up a stall to sell lemonade. No account of the table, or cups or saucers is calculated by the child who presumably borrows them from her parents.
Further the lemons may deteriorate, and the sugar is supplied either by immediate investment or by invoice over some future period. The child could raise the price of the lemonade to compensate for the rotting lemons or future sugar requirement.

Yet merely selling the lemonade to meet demand will already have set a desired price in the exchange for the child, however once others join the market and the supply will increase causing the price to fall, and the normal rate of profit will not earn enough profit. Entering and exiting the market causes the normal rate of profit to fall and rise creating equilibrium, and the best of all worlds.
This model is based on the price theory of exchange rather than actual production. of course the child's parents could have claimed to have intervened in the market.

Competition producing decreasing returns (decreasing returns to scale) in agriculture however meant that increased weeding and more seeds increased production, but it did not double the farms output. Profits fell and were not as efficient as the child's lemonade stand. Assembly workers producing cars on the other hand were efficient compared to one person constructing one car, as the tools and machinery in use was continuous, no stopping and starting and would be constantly working a return on their investment, and bigger firms had these costs advantages.

The machinery or lemonade table or rent as fixed costs or sunk costs (purchasing the table may is a sunk cost, whilst rents may be a fixed cost any reduction in price will mean it becomes a marginal cost, or if a lemonade glass breaks can it classed as a fixed or marginal cost ?) Perelman points out that no one will want to invest in the 1000th railway line or even the second one as competition is not experienced, or is even a reality, eventually the freight car, if it drops it price will us more of its freight cars, and this will have to be matched by others until one or more meet their marginal costs and fall into bankruptcy unable to pay their creditors.

"Whilst decreasing returns to scale was consistent with economic theory based upon perfect competition, it was inconsistent wit the realities of modern industry where bigger firms had obvious cost advantages"[80]

Therefore the best of all possible worlds cannot continue except in theory, as although prices are driven down by unbridled competition, decreasing returns to scale meant problems for industry.

"Since difficulties in measurement, such as the furniture factories experienced, will tend to make firms overestimate fixed costs and under estimate marginal costs, competition may even tend to drive prices below marginal costs. In any case, no matter what may be the intricacies of marginal costs calculations, no firm that relies on long-lived, durable capital goods will earn a profit when prices approach marginal costs"[81]

Long term fixed capital goods are not liquid and are specialised and hard to resell, further no one can calculate future odds and keeping exact measures of marginal costs is impossible, and in reality a rule of thumb is used for long term pricing and a target rate of profit, this in a market of unbridled competition will lead to chaos.

The burden of long term fixed capital goods if not modernised produces eventual losses as they become inefficient, since this investment is also subject to borrowing then the perfect world of competition is also subject to diminishing returns through inflation.

Ceteris Paribus (all things being equal) cannot apply to monetarism and the inflation question as all things are not equal since the growth compulsion is fuelled by a compulsion to invest against expected return against other investments one could have made. This is assumed from a bonds inception, and discounted accordingly. It is hoped that the bond will outperform expectations. Since this is unknowable it cannot have all things equal and derivatives and hedging instruments are often employed to stabilize a bonds instability.(or the unequal economy). Future stock or commodities are bought on a future known best guess price, calculated through derivatives on a each way bet. Hedged, but as hostage to the future of unknown events and investment of long term fixed capital goods.

Therefore monies issued as a bond, becomes an addition to a portfolio of many possible investments, rather than being issued as a benefit to aid society, even when issued to our national governments. The whole of society simply becomes a receptacle for its activities, and is forced into unsustainable growth rates. Often society cannot keep up, and Calvinistic overtones of making people feel guilty as they have not employed the ‘good work ethic’ are out of place with real rates of work, and wage pricing. Whilst profits are squeezed more easily in the short term in this model, (modernized production) wages and consumer value decreases due to the excess debt capital intensive production requires.

Traditional models on the other hand even if very inefficient, may have a high wage to operation cost, (subjective opinion) but overall with no debt and no inbuilt cyclical bust (and boom) it is, in the long run more efficient for individual workers and society.

With attached interest a retrospective is placed upon the bond to be issued at less than face value, in the hope its maturity value (original issued amount) reaches at least breakeven value or instead make a profit, an expected return, expressed as follows.

$$\mathrm{E}(R_p) = \sum_i w_i \mathrm{E}(R_i)$$

However the expected return is not the actual return and this is where the gambling or casino begins, society is placed into a race, a growth compulsion of speculation and uncertainty. Investments are placed upon taxpayers yet (T-bill federal reserve bonds) are classed as risk free to the bond bearer and holder, but not to society as a whole. (bailouts)

A bond is calculated to hopefully offset losses it may have earned somewhere else, hence negative yield bonds are actually considered more attractive in a bust. It cannot apply to interest free banking as a loan from inception must be considered in itself first and foremost. This growth compulsion leads to the ever increasing search for profit leading to the law of diminishing returns (Monetarism) and the tendency for profits to decline over time (TRPF Marx) both leading to monopoly and ironically a lack of competition and of course no free trade of which Adam Smith was actually an advocate.

The virtual parliaments (Chomsky) of the stock exchange and bond and derivatives markets dictate our modern investment, the first world war saw advances in planning and costing which ironically did not exist before the war, yet the phenomena of overestimating the chances of success and underestimating the chance of failure, is also often prevalent in decision making. Banks investing in bubbles of which there have been hundreds since the 1600's is one example.

Rational decisions are rare in business, and if they were not the irrational model around us would change. With the added realisation of a quick return with little investment, business moved away from the corporations which ironically having incorporated many smaller firms, due to winning the competition in the short term, having moved away from the *laissez faire* of the aristocracy to the new money of the 'robber barons' (such as JP Morgan) and its model of production found that long term fixed capital costs, which needed updating due to competition found the added burden of investment not as appealing as investing in the short term or stock market.

The wave of bankruptcies in the late 1800's meant the new type of financial agent like JP Morgan could take advantage of the new opportunities.

Corporations a new type of company took advantage of the new anti-slavery laws in the USA arising after the civil war, which gave equal rights to black Americans in the 14th amendment, who could not be deprived of life, liberty and property by law. Corporations won legal recognition from these laws to also become a legal person, which although only capital and property could incorporate different investors into a corporation as a person. It could by its charter granted to it by the government / people (which can be revoked by law and the people) it can own and sell property produce goods, borrow money and be sued or sue another.

A further strange feature of the Corporations concerns its overriding primary function to produce a profit for the stockholders by law with no legal concern for the public good. Aided by limited liability which the group of people known as the corporation as a legal person are semi – immune from. The requirement in law to put its profit motive first ahead of competing interests which can be interrupted as society in general. The profit motive gradually streamlined a corporations operations to narrow its responsibilities to the minimum legal requirement to ensure its profits. This moves its philosophy from a public benefit to a detatched uncaring machine in which pollution, or work half completed or even fire or accidents and their costs as externalities which the public purse must complete[82].

Not working for the state but not private or self reliant.Why the need for profit becomes so concentrated beyond just greed is analysed economically.

Whilst it is true that one firm going bust causes worries which slows down the economy causing doubts which in turn cause others to doubt and fail, when rock bottom is reached the opposite effect is observed, the parameters of perfect competition are already designed to bring this condition into play.

Eventually businesses would be left with one business as a monopoly and new business would find it hard to compete with it. New technologies meant competition speeded up and as decreasing returns increased, wages fell, overproduction meant sales slowed, until in America in the late 1800's society was facing hard times. A solution to the conundrum partly due to the outdated economic classical models economists employed and to the problem of long term fixed capital investment **was for producers to form trusts, monopolies and cartels.**

Many industrialists accepted the need for society and commerce to be stable**, and they rejected 'Market solutions'** to the competition of production problem, yet did not accept the state should run the business they owned. Rejecting David Ricardo's theories on exporting and encouraging immigration from abroad (caused by specialisation of one country to a certain industry, which was at a loss despite 'comparative advantage' in the 'free trade' currency disparities of international trade, which were heightened by tariffs of the exporter) but also any role for the state.

This view which is neither socialism nor the market still accepted silently the socialist contention of value of labour is related to the price of the commodity. Lenin who admired trusts for fulfilling material needs nevertheless saw them as a stage before socialism.

Corporatists whilst accepting the labour theory of value, differed form the socialists in that they believed they alone should run society.

The advancement of trusts, monopolies and cartels led to an initial boom when uniting firms consolidated in one entity, yet the problems of long term fixed capital and decreasing returns to scale still remained. Many of the industrialists were persuaded that cutting wages in this depreciating cycle was the key until studies realised that high wages actually improved the cycle instead.

Workers had less sick days, worked more productively and improved their positions. It also solved the overproduction problem as workers could also afford to spend more. This new policy also preceded by Populism came to be influence Welfare Capitalism. The populist were another group.

Henry Ford was persuaded and some like Carnegie (who with Lord Milner and of the Round table Cecil Rhodes had endowed so many new Universities) persuaded industry to invest in long term fixed capital and new accounting measures to ensure decreasing returns and associated problems did not arise.

This new outlook did not last long as the temptation to reduce wages and cut infrastructure investment for profit ensued. Trusts although looking favourably on corporations believed that they would stagnate and believed government should introduce anti-monopoly legislation to increase competition, in favour of trusts which should also not be impeded by the Judiciary, but be monitored by 'expert agencies'[83], especially when seeking tax emption.

The newly formed Federal Reserve bank in 1913 had introduced its federal progressive income tax, in order to pay the interest charges on the monies it lent out as the national debt but be monitored by expert agencies. Trusts would therefore protect them from inheritance taxes introduced also in 1913, but also protect 'society' and the workers.

Economic institutions like the American Economic Association formed in 1885 as a non profit think tank grew to 10,000 members, and who leaned towards the German school who leaned towards the corporatists, but which tentatively kept to the older laissez - faire approach[84] This allowed industrialist like JP Morgan to influence the new populism (the leftist populists and welfare capitalists) in order to subdue the rural movement the likes of the populist attracted. They in turn required finance. This older philosophy from the City of London (in pre – stock market hysteria) in Washington and in Britain, were still an elite school of people who very heavily influenced the university system.

With America emerging under this new economic model, two systems were encircling each other, namely that of the old British Empire and the new German school and its empire. In-between was the influence of Cecil Rhodes and the Carnegie trusts, which were also coming to dominate the educational system.

The American Economic Association "soon forgot the original purpose of the organisation. In a relatively short period of time laissez faire ideology became the order of the day once again"[85], and the industrial monopolists were out manoeuvred by the trusts, who broke monopolies (such as Carnegies US steel, and Rockefellers standard oil, but who managed in any case to form their own trusts, funding many socialist enterprises) and by keeping themselves out of the tax regime, and their competitors in they ensured they were the new monopolies with an accrued vast wealth.

Europe still divided into many nations would one day face these economic problems and differences.

Yet
"After all, if railroads could abrogate competition in order to preserve their profits, why could'nt society as a whole benefit form a more comprehensive organisation of production"[86]

Following from Russian experiments with this very idea beginning in 1907 (and earlier) new Soviets were forming as co-operatives and workers councils which were having a decentralised new national power structure.
The first attempted revolution in 1905 against the Tzar failed and many thousands of socialists went into exile, until the Tzar abdicated in March 1917, allowing prince Lvov to form a new provisional democratic government, until Alexander Kerensky prime minster of the second

provisional government overthrew the Prince and invited the exiles to return, who overthrew Kerensky in turn, in October / November 1917.

Following the Russian revolution in 1917, the Bolsheviks led by the German Lenin, the Reds won out against the Whites and Greens, and formed allegiances with the Menshevieks.The Bolsheviks also formed the new Gosbank from the Tsarist commissariat's for finance, which became the peoples Ministry of finance, allowing the Gosbank to open as a non profit, non commercial bank, as the new Soviet central bank under Lenin's, and eventually under the *New Economic Programme*.(NEP) Whereas tsarist Russia had a decentralised banking system, Lenin's was centralised and a monopoly, which did not change until Gorbachev's Perestroika.

The bank was staked from German, American and British sources, and lent to enterprises it deemed suitable. Invading Germany was one such enterprise to unite with comrades in Germany, another was to defend its own borders, placing it on a war footing. Germany in WW1, was not allowed to be crushed totally to keep soviet Russia from expanding Westward.

With a requirement to conquer Germany in order to maintain the revolution, and secure its own base, many of the original peasant workers lost their lives at the front. Although Germany was winning the first world war even up to early 1918, the Soviet's eastward advance, helped the allies defeat Germany, yet Germany was not allowed to be completely broken in order to repel the now severely weakened working class soviets.

The Gosbank centralised allowed its funds to be allocated by favour and not by production demands of former soviet workers councils, most of whom had perished.

The Bolsheviks were forced to hire old Tsarist bureaucracy "in order too maintain a functioning governmental machine" and although directed to operate as socialists they resumed older working practices.

Lenin described the revolution as "the state apparatus 'borrowed from Tsarism' and hardly touched by the soviet world"[87], which in local villages and towns resorted to abandoning revolutionary collectivist ideals and “resorting to individual aspirations arising out of their individualistic forms of work. Each sought to maximise his own standard of living through his activities on his plot of land”[88]

“Whereas in 1922, 65% of managing personnel were officially classified as workers and 35% non workers, a year later these figures were almost reversed. The ‘red industrialists’ began to emerge as a privileged group, with high salaries, and through ‘one man management’ in the factories, able to hire and fire at will”[89]
Binns, Cliff and Harman continue and point out unemployment continued too rise to 1.25 Million in 1923/4

Yet when workers want freedom the original soviets before any collectivism had leaders or a organised base, workers want to improve their own conditions, the land question becomes central, as does the price theory value of labour debates, especially in a quickening recession.

The same spirit which drives individualism remains with collectivism, and if a control is placed upon this or dictated from above then the organisers have also become counter revolutionary, against mans right for freedom of choice, which if a virtue will lead to shared responsibility.

The fact that the bourgeois took over and resumed landlord and capitalist practices, could also mean that the middleclass in poverty without collectivist ideals were now the peasants themselves, amidst war, civil war and anarchy.

Outside of Russia any re-mergence of power would be best controlled by a bureaucracy.
“By 1922 Lenin wrote we have a bureaucracy not only in the soviet institutions but in the institutions of the party” [90]

Leninism became Stalinism, and this *class by themselves* as Marx had described bureaucrats echoing Lenin’s concerns in his book State and Revolution had turned a workers revolution into a gigantic Corporation which eroded real wealth (*for everyone*) over time, a process which was also arising in the west.

Stalin quipped how many legions has the Pope, in his iron control over Russia. The state monoliths often financed through the same Wall street or City of London intermediaries, eventually brought about an economic crisis in the USSR, leading to the Berlin Wall collapsing in the 1980's. Whether large corporations were state run or private, or were within Russia, America or Britain, rust and decay without investment in long term fixed capital followed.

Long term fixed capital defeating the workers if not the new oligarchy in Russia, who today have more Billionaires amidst austerity than any other nation.
These management problems which were hidden in economic orthodoxy caused the malaise often associated with rusting slow state corporations, but in fact all classifications, private and semi private all suffered the same fate across the globe.

They are management problems and not the workers fault.

This has caused a rift at least in the public perception (at various periods) that government's ruins business, and in turn (at various periods) private monoliths experience the same fate, giving rise to political parties who are both left and right, state and private. Continuous party political fueding from parties which are often sponsored by the same finance sources and donors to reduce 'democracy' to a two or at best to a three party state.

America and many nations often wished to develop industry and agriculture, whilst the Empire wanted to let finance dominate, and a struggle between the two often determined the direction of a country's economics and its future. Whilst for example JP Morgan was a corporatist he was interested in finance rather than a manufacturing economy. Carnegie conversely (an exception to the rule) was more interested in production. Perelman also describes how Alexander Hamilton a financier at heart was more interested in running a deficit economy in America to induce borrowing making in subservient to British bondholders.(financial capitalist) Thomas Jefferson opposed this.[91]

As Hamilton's model developed, the investment required necessitated financial intermediaries, between industry and the banks. Lending long, but borrowing short term was a risky business, and early banking preferred to lend to Merchants who would repay quickly. Society was developed along these 'risks'. Why society did not become its own bank is the history of wars and subterfuge and political Macavelianism for millennia.

Banking initially was not an open affair, restricted to a few who could obtain charters, and monetary policy was seen as neutral, not the cause of inflation or deflation and government was neutral within its domain. As banking opened up finance became even more cut throat. Yet private money in circulation finds its own level and for example restricting the supply will cause firms to go bankrupt, letting financial capitalists to borrow to help ease the firm's problems by taking them over when they cannot pay. With this mutually beneficial arrangement fiancé capital increased its role, and industry became increasingly dependent on financial markets.

Instead of industrious agriculture or manufacturing the Carnegie approach (which is based on being wealthy enough to care if one chooses) gave way to industry for profit alone. Carnegie pursued profit but not at the expense of society, his long term business and his workers. The finance led entities instead through competition for competitions profits sake, led them to defeat and ruin competitors and then into consolidation, then to Monopoly and then to malaise.
"why go through the painful process of corporate reorganisation in the absence of competition"[92]

An option for them was to coerce Government who had now a vested interest in the firms upkeep socially and financially, to stop foreign firms exporting into its country, or protectionism.

"Neither alternative – the competitive capitalism that the corporation opposed or Morganised capitalism that the corporatists supported – was largely capable of efficiently directing economic activity in an economy that largely depends on long lived fixed capital"[93]

After world war two, companies began to realise that profit and their own consistency could be maintained by the stock- market as opposed to manufacturing. A firm's management and business leaders in general changed their approach to instead make a firm attractive to Wall street finance, when their companies stock rose so did their profits. “This process became so thorough that the distinction between finance and industry became almost meaningless”[94]

Of course the original communist manifesto calls for nationally owned Central banks, which they never have been, instead as unaudited private entities, reliant on underwriting by Government, they gave the impression the treasuries and parliaments of elected representatives held primacy in the democratic separation of powers. They require no ‘reserves’ as they can print money out of nothing, hence no need to have reserves. This is clearly not the case, and one in which the Judiciary have also been left powerless to prevent, either by limited public liability legalities or by not undoing the governmental charters the corporations receive in order to function.

Functioning corporations however have had instances recently when the judiciary have deemed the corporations not to be a person with a personality under limited liability exempt from ‘externalities’, but a business subject to prosecution and subject to compensation for any wrong doing.

New externalities created for the first time in history, was the petro-chemical industry and the heightened intensity in research, especially in war time when research expedited new experiments and chemical blends to form new chemical products in pharmaceuticals and agriculture and armaments. Animals poisoned by pesticides and herbicides were treated with chemicals which negated the first problems but brought two more. Today we are poisoned every day yet it is accepted commerce[95]

Oil.

Today in mid 2012 the Arab spring beginning in Egypt spreading to Libya and Syria, and to Lebanon and Jordan where unrest is also reported, surrounding Israel, the growing tensions between it and Iran centre on Iran’s alleged nuclear programme. Despite Israel having hundreds of Nuclear warheads the international community is outraged by Iran’s alleged intentions. The real story is Iran’s intention to sell its Oil (which already exists as a commodity exchange on the Persian Gulf Island of Kish, the Iranian Oil bourse) in other currencies other that the dollar or petro – dollar.[96]

Saddam Hussein and Colonel Gadaffi committed the same crime in Iraq. Whilst this threatens the West's stability it seems that "the west" is also helping them in this aim ?, as Standard Chartered bank of London with its Charter granted by Queen Victoria and winner of the bankers bank in 2010, is laundering money to Iran, from Saudia Arabia. Obviously if "the west" was only concerned with Iran's alleged Nuclear threat it would not supply them Billions of Dollars and Pounds[97] ?

The petro-dollar was formed by agreement between Saudi Arabia and the USA in the early 1970s, both encouraged by the US army bases and military exercises conducted around and inside Saudi Arabia. Unfortunately the US national debt already high skyrocketed as a result with consequences Americans are living through today.

The comparative advantage of selling oil in Petro-dollars has so for benefitted America in cheap credit and cheap goods, but it will all be destroyed by this new Petro – currency.[98] China requires Billions of Barrels of black gold, which with its Gold based currency system and Iran's preferred payment method in Gold, the alliance will bond.

With the US sending large navy destroyers to the Persian Gulf the crisis is escalating, and the new weapon of mass destruction as this new petro currency, will cause the US economy to collapse and its funding of Israel to stop. Yet with all of this known for many years and decades the Israeli lobby has not moved to undo America's debt and stabilise its internal position to counter this threat to itself.

Oil prices causes' inflation but is a secondary source to inflation, amidst currencies which purchase every good on earth 24/7, 52 weeks a year.

Oil fluctuations as a weapon and backdrop to political economy policies began in the late 1800s, but Rockefeller the oil magnate could keep oil and renewable alternatives from causing this threat of middle east war, yet enlarging *Eretz* Israel is a more important task than America. Of course every nation sees its own country as favoured. David Rothschild who is spearheading the green ecology movement under the auspices (some have stated) of 'we have all the weapons and they have all the oil', has a partner in the oil industry in Rockefeller, who (Rockefeller) has also established strong ties with China with visits and investment in its development. New Oil fields are discovered yearly in the USA, and David Rockefeller has no financial difficulties in its extraction, especially as extraction technology improves. Naturally global warming is suspect in this environment, but ecological concerns are real with the petro – chemical industry and Monsanto running riot with the earth's eco-systems.

Having watched President Obama in 2008 choose not to save the world, when he had the opportunity, (advertised in the election campaign) but instead sidestep the chance to end this financial mayhem in his first few days in office, (and bail out the collapsed banks to the tune of Trillions upon Trillions), those banks (which survived) are now back in profit. This profit also belongs to taxpayers, and should easily counteract "austerity"

The media spin of the corporate image which is entirely false is only mirroring the profit motive, which competition has driven to the two party media state. Advertising is now fine-tuned to a science, beginning with children and with a sixty year history to develop the brainwashing, advertising is a systematic propaganda methodology to induce wants and contrive a distorted reality, in which the machine produces a profit by manufacturing an entire society.

How this is maintained by trusts who also need to dominate the education system and socially engineer our media, is fuelled through the economic system, but profit for those who control it is not their purpose but a means to an end.

<u>With the American congress recently voting to Audit the federal reserve bank</u>, changes are ahead, which in an economic collapse, would or could mean, debt cancelation without purchasing the debt in quantative easing but quantative easing or money directly to internal investment. Socially engineering those ends

What is European Sustainable Development.

Sustainability with its definitions of protecting the future, today has global development ambitions extending back to the beginning of the 20^{th} century, its modern global structure began with the United Nations, and its European Union beginnings as a legal treaty, which began shaping policy in earnest following on from the Maastricht treaty of 1993, when legal reforms were sought and clarified in the Treaty of Amsterdam in 1997. The Maastricht treaty was replaced by the Lisbon treaty in 2007 (The Reform Treaty, completing the legal framework began in the Treaty of Amsterdam in 1997, and Nice in 2001). The Bruntland report of 1987, combined with the Rio declaration of 1992, made possible a United Nations general assembly in 1997, providing the 2002 World Summit on Sustainable Development with a strategy also for Europe[99].

Goals as policy with CO2 emission targets for 20/20 and 20/50 require drastic changes to planning and development.

The Document in 2001 'COMMUNICATION FROM THE COMMISSION A Sustainable Europe for a Better World, A European Union Strategy for Sustainable Development' has much to say on policy making;

Sustainable Development is a Global objective [100]

"A new approach to policymaking: Although the Union has a wide range of policies to address the economic, environmental and social dimensions of sustainability, these have developed without enough co-ordination. **Too often, action to achieve objectives in one policy area hinders progress in another**, while solutions to problems often lie in the hands of policy makers in other sectors or at other levels of government. This is a major cause of many long-term unsustainable trends. In addition, the absence of a coherent long-term perspective means that there is too much focus on short-term costs and too little focus on the prospect of longer term "win-win" situations"[101] .

"Market prices have a powerful influence on the behaviour of individuals and businesses.

Market reforms to get prices right can create new business opportunities to develop services and products that ease pressure on the environment and fulfil social and economic needs. Sometimes, this means public money for services which would otherwise not be supplied, such as essential public services in sparsely populated areas. More often, the issue is one of **removing subsidies that encourage wasteful use of natural resources**, **and putting a price on pollution**" .[102]

The European Union has a history of Environmental policies, on water, health, air, soils and food, climate change, poverty reduction and pollution etc, which it needs too implement. Being of a Hybrid character in-between an international organisation and also a nation state, makes its discussions between its competencies highly dynamic and intense[103]

One dynamic which is common throughout many nation states concerns the ownership of responsibility. Usually debated as public or private utility or works, subsidiarity is a feature and protocol of European Union law[104] It allows for intervention by the EU government if it needs too at local and national level if it feels needs are not being met. However it also gives precedence for local initiatives to act rather than at central EU level.

Other issues effecting Sustainable Development implementation

The history of the European Union in its modern development is built upon older systems of administration and rule, including those from its most famous and eternal city Rome. All roads lead to it is a quote which is commonly used to describe its importance and dominance for over two thousand years. It is necessary to mention Rome's wider involvement as in 2102, the European Financial Stability Facility, the precursor of the European Stability Mechanism known overall as the The Treaty of the Functioning of the European Union[105] (TFEU, the latest version of the Maastricht Treaty) commonly called the ESM/IMF/Austerity treaty directly affects Rome, in a way other treaties have not.

The European Banking Authority was established by Regulation (EC) No. 1093/2010 of the European Parliament and of the Council of 24 November 2010 and was viable in January 2011. It is based within the City of London, and whilst Tertullian may have argued what has Athens to do with Jerusalem, the Hellenisation in Greece and Rome, of resistance to the International Monetary Fund is causing considerable concern globally

Whilst Rome is but one City of Europe, its legal structure is entrenched in Rome's historical development.

Rome itself which also now incorporates the Vatican City a sovereign national state within Rome, formed in 1929, has a specific legal identity (known as *Lex Fori* International law) which emanates back to the earliest Christian times and before, and although not a part of the Holy See with its Court or Curia, the Secretariat of State who oversees the Curia of the Holy See resides within Vatican City.

The Curia deals with both inner political and diplomatic roles, and also outer roles of its 179 foreign states with nearly 2 billion people. Rome began as a Toll road, owned by those who used force to conquer its beneficial position as a crossroads between regions and its value on the salt trade route, with its own manufacturing base close by in the Tiber. "*Pax Romana* from its earliest days, functioned as an extensive free trade Zone, which expanded trade to unprecedented levels"[106]

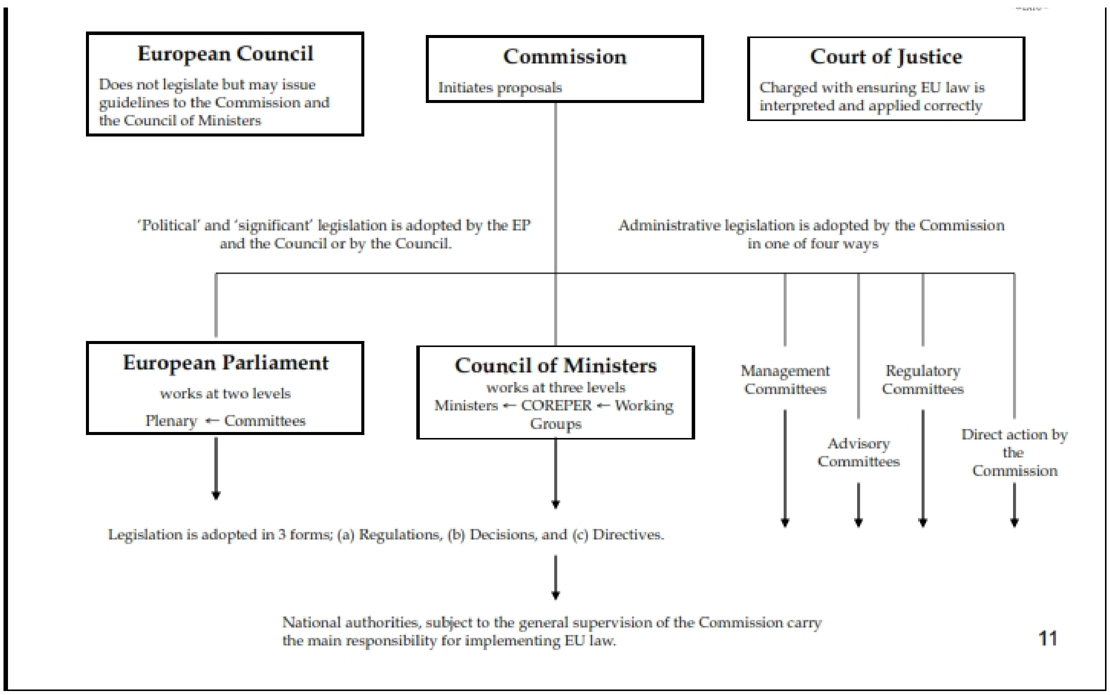
Today the public tend to view the EU as just comprising the European Council, the European Commission and the European Courts of Justice, which legislate or form directions for the Council of Ministers and the European Parliament. Significant or political legislation is adopted by the Council of Ministers and the European Parliament, or by the Council alone.

"EU policy studies is that of the legal base within the Treaty upon which each EU policy rests – each new EU law must have a legal article as its foundation. The choice of the legal base determines the procedure and powers of the actors involved. This makes the decision by the Commission, in particular, as initiator of proposals, of 'which road to go down' highly debatable"[107]

Aside from treaties which are non-debateable in national parliaments, legislation which is debated can also arrive in the form of directives, decisions and regulations. Administrative legislation is adopted by the Commission, and is managed by management, advisory or regulatory committees or is adopted immediately by the European commission alone.

Each national government has then direct responsibility to implement these treaties or administrative laws on governance.

The Making of EU legislation (to repeat)



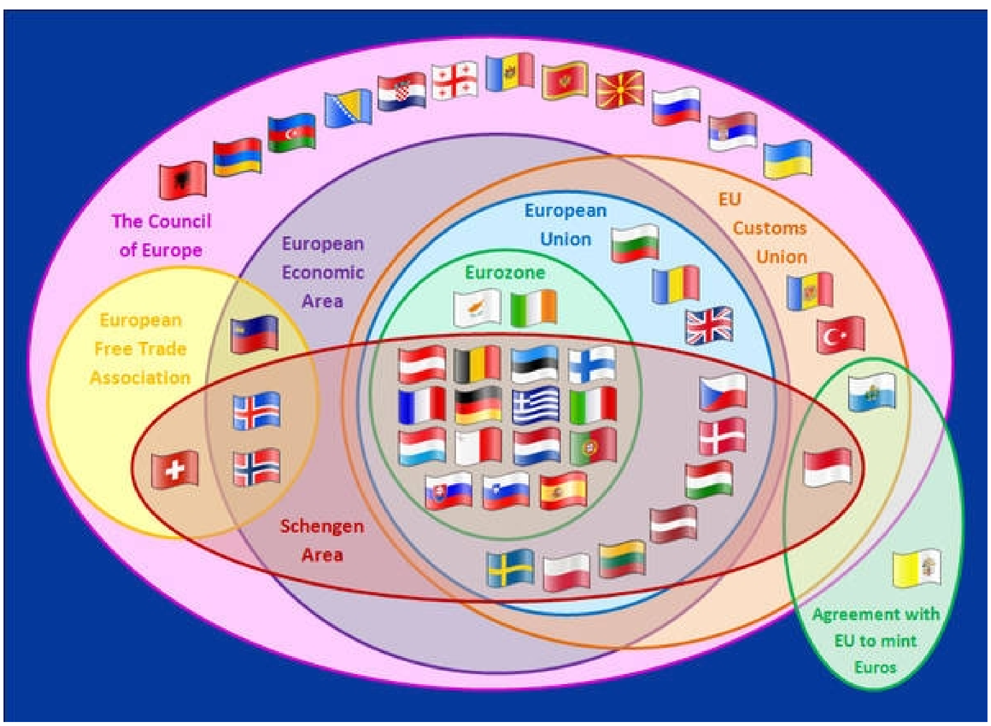
[108]

Many still are confused by the EU's structure, and often misunderstand the Council of Ministers which has a minister from each state (27 currently) and the President of the European Council who holds office for 30 months, a position changed from the Lisbon treaty. Previous to this it was a position held by-annually by each member state. Also in the Council of Ministers is the President of the European Commission (elected from the parliament every five years). A further contributor is the High Representative for Foreign Affairs, which allows the Crowns (Britain's) Privy Councillors access to the Council of Minsters, to discuss common security issues Established under the treaty of Amsterdam the role conferred access to the Council membership under the treaty of Lisbon.

The Council of Ministers is the Council of the European Union and a separate body from the European commission.

Confusion with all of the above is compounded by the Council of Europe.

The Council of Europe is a separate body from the EU. It was formulated during World War 2 but signed into reality by ten states in the Treaty of London, in London in 1949; Belgium, Denmark, France, Ireland, Italy, Luxembourg, the Netherlands, Norway, Sweden and the United Kingdom, and its model of governance combined the heads of states as members with the need to elect a parliament from all EU countries, as such its model formed a template for NATO and OSCE, and although today nearly all member states are members, the Vatican City Sovereign state is not. The Holy See is also not a member of the Council of Europe.



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The Council of Europe has 47 member states, but the 27 EU members are fully adopted into the legal framework of the EU, whilst others who participate are not Sovereign members are outside its legal jurisdiction. Many of the 47 and 27 have not adopted all treaties in the process of integration. The Council of Europe created the European Court of Human Rights in 1959, by the creation of European Convention of European Rights.

The Council of Europe is comprised of the unelected committee of ministers and a deputy from national departments of foreign affairs, and also elected representatives from each national government (but not elected directly to the Council of Europe) making up the parliamentary assembly of the Council of Europe with observers from Israel, Mexico and Canada. (642, 321 + 1 deputy substitute each) Canada is also within the Crowns Commonwealth of nations. Members include Russia, Ukraine, Turkey and Switzerland. The latter is not within the EU or the Euro, although the Holy See and Vatican City are non member states it banks in the Euro from 1999 [110] and the European Financial Stability Facility, the precursor of the European Stability Mechanism known overall as the The Treaty of the Functioning of the European Union (TFEU, the latest version of the Maastricht Treaty) commonly called the ESM/IMF/Austerity the new IMF treaty effects the Holy See.

The European Union and Community has been invited to join ratify the conventions of the Council of Europe.

Following the treaty of Paris in 1951, (European Coal and Steel Community ECSC) following on from the treaty of London in 1949,(creating the separate Council of Europe) the treaty of Rome was signed in 1957, (Treaty establishing the European Economic Community, EEC) and remained in force until the Maastricht treaty of 1993, (Treaty on European Union) following on from this, the Maastricht treaty was replaced by the Lisbon treaty in 2007 (The Reform Treaty, completing the legal framework began in the Treaty of Amsterdam in 1997, and Nice in 2001).

The legal framework also gave the EU a legal personality *persona ficta* or a legal artificial person as *Europa*. It allows one or more natural persons to act as a single entity, and is the same as a Corporation, the peoples Republic of China has the same personality and legal structure, and although differing economic ideologies can make up a Corporation, practising practical economics leads to the same result.

“Even if they are not altogether aware of it, researchers usually work with a theory from the outset of their research. Often the choice of that theory is determined by common sense and personal experience. For example, an individual who has grown up in a part of the world where political leaders and political parties tend to solve their disputes with violence instead of through cooperation and compromise might be more inclined to consider European integration as an extraordinary phenomenon. **Compare such a perspective to that of a young European citizen who takes the EU for granted or considers it normal simply because it has always been there in his or her lifetime**”[111].

There are of course people who were born before the Second World War alive today who have witnessed it evolve from within and without the EU and Council of Europe. There are those who live in other continents of all ages and researching the public policy growth in administration and politics or other fields, cannot assume a reader or researcher is going to understand or explain the topic in full.

Therefore to have a wide perspective historically and in a narrower modernist linear dateline approach combined is a good method of examining the question in this essay.

Other methods of analyzing problems facing the EU and any institution.

Debating what is public policy should be distinguished from politics which is the 'who,what when, why and how' of wider politics in which policies are being created[112] whereas public policy is about "examining the creation by the government of rules, laws, goals, and standards that determine what government does or does not do to create resources, benefits, costs, and burdens"[113].

Public policy is also defined as administration and regulation. This said the balance between expansion and associated large scale contraction and social protection, reverts to social protection measures as defined by political parties, and in 1993 when the Neo liberal[114] philosophy of the Maastricht Treaty, restricted Keynesian increases in Government spending with an emphasis on strict anti-inflationary measures and fiscal prudence those measures took second place[115]

Now since 2008 especially
"In the current financial climate, in the wake of the sub-prime mortgage crisis, the crash of the property markets and the drastic fall in share values, a general belief is emerging that the state should act as watchdog, policeman, caretaker, and so forth"[116].

The stability and growth pact has its roots in this European conservative desire, which also is destabilised by the 'North South' often expressed as the North Protestant, South Catholic axis, amidst the East West polarised Capitalist Communist axis, and its aim from the Maastricht treaty is to bring convergence and equal levels of fiscal regulations to avoid huge deficits. Many believe it was too tightly controlled, whilst others it did not go far enough. By 2010 the SGP had collapsed giving way to the Euro Plus pact and the European fiscal compact combined to make fiscal regulation extremely austere.

Therefore (to repeat) has the economic collapse only increased convergence and integration, regardless of Keynesian (up to 1993) or neo-liberal economic policies.(1993 onwards) ?

Methodologies to interpret these problems must first consider;
"The process by which the European Commission, European Parliament and Council of Ministers are influenced by interested parties (such as environmental NGOs, industry, consumer organizations, and so forth) is labelled *politics*. However, it is political debates that often determine how and when policy is shaped and decided" [117]

Many groups have their own opinions as to what went wrong (or right) and how to improve it next time. Others may wish to consider how Brussels works.

The latter viewing democracy or the lack of it will focus on Policy Content, Policy Output and Policy Process. Lobbying groups or interest groups or any interested party will of course ultimately filter information through their own Bias, and scientific analysis amidst copious and numerous documents may not be as productive as learning to research by intuition. Combining intuition and systematic research avoiding bias still looses objectivity when the analysis *of a policy* is tainted towards analysis *for a policy*.[118]

Esther Versluis, Mendeltje Van Keulen and Paul Stephenson ascribe to be critical modernist's in their approach. Assuming reality is socially constructed, all we can do is test empirically as many results as possible, and then objectively apply the most likely cause or solution. Therefore even academic analysis aside from political or policy analysis (although they are not in isolation) is also not objective as the theory of analysis chosen is ultimately biased. Therefore do we analyse a few case studies or resort to breaking down huge areas of policy (treaties, instruments, documents, papers and debates) into stages.

Esther Versluis, Mendeltje Van Keulen and Paul Stephenson suggest the stages approach, and add that a view of the subject as a continuous linear film as opposed to a series of still photographs is a preferred method with a realisation that stages can overlap and go back on themselves. Agenda setting, Policy Evaluation, Decision making, Policy Formulation, adopting the who,what when,why and how of each stage occurred. Whilst the stages approach has advantages and disadvantages, it is never over analytical in each area and still versatile enough to allow other methods room to apply, allowing the motivations of individual actors to filter into the 'who,what when, why and how'

Theory then, rather than being burdensome can strengthen analysis and provide a lens through which we can retain objectivity, bearing in mind with;
"EU policy studies, it is important to keep in mind that its roots lay both in international relations (IR) theory, and in the study of the nation-state"[119]

The two main and resultant schools analysing EU integration are either neofunctionalism or intergovernmentalism. Intergovernmentalist's argue that only the state by democratic consensus of its citizens has the right to give its power into integration. Positivist IR theorists warned that a scientific approach to IR was impossible and if coupled with an intergovernmentalist view that the nation state itself gives its power (if it wishes) to integrate, integration may be abandoned.

Post-positivist IR theorists valuing ethics and human rights, in or out of the state, may prefer to adopt neofunctionalism, which advocates integrating regions or economic or industrial areas first as a means to bring overall integration about. Neofunctionalism could stall at any point, but it is then argued that no nation has committed itself to any grand overall project. It could of course be argued that big business or regions may subvert a larger democratic opposing view.

All of these theories overlap and supranationalists may regard a "nation" state as a region to an existing supranational union of states, but small towns on national borders may find themselves as a crossroads town or in a new central position. Other Island nations do not have this advantage.
That supranational nation may regard a nations regions as 'on the periphery' although subsidiarity is a feature of the Maastricht treaty.

Critical modernism however suggests that the state no matter how large its shape or size is a problem in itself, which people should separate themselves from. Recently all shades of opinion have lamented the reversal of subsidiarity as the EU has moved away from the

Maastricht treaty (or before) into new treaties, so that democracy may well become over-centralised and ineffective to the regions or at worst totalitarian and austere.

Governance within the EU

Political views forming the theories which shape policies are also set internally from national states ‘up’ to EU level and is governed on these different levels known as multilevel governance.

Robert Schuman regarded as one of the EU’S founding fathers was against fascism and communism[120], and declared in favour of moving towards a Supranational Europe in the Schuman declaration of 1949, this is significant as its intended identity was named by one of its founding fathers, who were also instrumental in founding Nato and the Council of Europe.

Between a confederation and federation (of multi-national states) in its philosophy, supranationalism is an attempt to describe the structure of the EU and the Council of Europe. It also describes how both work internally separately from each other, in that both entities although overlapping, have qualities of confederation and federation within them. A nation state may be one unit (a unitary state) or a federal entity of many states. It may also move to join other federations, but the member federated state keeps its sovereignty.

“In the early 1990’s the idea of a ‘Europe of Regions’ drew attention to the subnational scale. This vision of Europe has not materialised, but subnational governments have become significant actors in European Governance (*Le Gales 2002*) and in some cases are challenging the positions of nation states” [121] (see also Nugent who describes inter state co-operation as a solution[122])

Laws and policies are bringing national government to recognise cities are transforming themselves into sustainable development hubs directly, and many are concerned if national governments are increasingly only in place to debate or adjust treaties or decisions, regulations or directives. Some cities began their adjustment to ESD long before others, (Amsterdam and Copenhagen) whilst some are better placed than others. (*the Blue Banana*) European spatial development perspectives (ESDP) and national spatial development plans are increasingly setting the agenda for national development plans, and in turn regional and local authority development plans.

Planning within these spatial blueprints is not relying on traditional top down planning which is seen as an obstacle to effective planning[123], but planning which keeps new areas of regional, national and international (within the EU) in mind. Therefore although nations are encouraged to decentralise overall, the capital city is often most urban and likely to dominate, so decentralisation from traditional national or local government occurs, but the capital city will centralise as a leading player in ESD. (education for sustainable development)

Local authorities in transition responding to new EU environmental directives are placing more control in the local authority director over elected councillors. City Mayors are seen as synonymous with strong emerging cities[124], able to link directly with business partners, nationally and internationally. As sustainable development progresses cities which are more environmentally friendly and attractive to international sustainable foreign direct investment may take a lead role and develop into a leading city for the future.[125] And then maybe even replace the traditional capital city. International influences and forces, changing social structures and established party political tensions will continue to shape national development, but not in quite the same way as in previous decades[126].

Change's in planning and lifestyle and ideas of nationhood are likely to bring huge barriers to implementing sustainable development frameworks. People and new frameworks do not bond easily and achieving gaols on paper is easier than in real life, especially when sustainable development or green views are anathema to some of the world's population.

The EU's eastward expansion has brought many challenges and as a case study to implementing new frameworks and achieving clear and consistent goals;

Those goals were laid out by Robert Schuman as a founding father of Europe or the EU identity within Europe. Having faced the horrors of World War Two, his supranationalism philosophy is undoubtedly a noble attempt to avoid war in the future. Likewise Adolf Hitler viewed the horrors of World War 1, and Germany's subsequent reparations payments to the allied forces as a terrible and impossible burden. A view shared by prominent politicians in London, Washington and Europe.

Schuman saw supranational as a diffuser of destructive nationalism, yet in Chechnya Russian forces have fought two wars in the mainly Muslim republic since 1994. They did so on the legality that Chechnya was never an independent region / state but was always a part of the Russian Soviet Federation, since 1917, yet the Muslim tribes of the area fought in countless uprisings since the early 1700's, including against the Tsar and his family, which the Soviets killed.

The EU's role is described as follows in a EUI Robert Schuman school for advanced studies working paper;
"EU's Common Foreign on Security Policy (CFSP) explains EU enlargement in terms of *EU foreign policy*. Another set of studies draws on the insights of social constructivist approaches in International Relations theory and ascribes EU enlargement to constitutive norms that characterise the *EU's collective identity*. While both approaches offer valuable insights into the EU's enlargement in their own right, their focus on enlargement as a dependent variable limits the potential contribution of a study of EU enlargement for both the study of EU identity and the analysis of European foreign policy (EFP)"

Therefore some argue that the EU is an international organization, rather than a political system, which seeks to co-ordinate national economic policies[127].

The Schuman school study finds the Chechnya problem as one of requiring compromise. German, French and UK governments seemed concerned that a too critical position would jeopardize good relations and the strategic partnership with Russia. America including under Clinton, but especially under Bush warned of severe consequences. Norway, Sweden and

Finland wanted more than a strongly worded denouncement, including possibly operations by NATO (as occurred in Yugoslavia, Milosevic was tried for war crimes, but Russia was also doing what NATO did in Kosovo and Bosnia), Chechnya like neighbouring Georgia mooted EU membership, yet the EU compromise ensured destructive nationalism against Chechnya continued.

It placed a compromise onto their Human Rights, and although the Court of Human Rights ruled Russia had violated those rights and in effect committed genocide, Russia's military might and as a strategic energy provider (Grozny Baku, the most important Russian oil area) to the EU and wider influenced the Chechnyan fate, a fate which had seen Russia as a saviour against Germany and Hitler in World War 2 and against destructive nationalism.

Therefore like oil/energy policies, clear and strategic goals for sustainable development are limited to differing views on green economic philosophies which are;

"Sustainable development is a Global objective. The European Union has a key role in bringing about sustainable development, within Europe and also on the wider global stage, where widespread international action is required"[128]. &

"Urgent action is needed: Now is the time to confront the challenges to sustainability. Many of the trends that threaten sustainable development result from **past choices in production technology, patterns of land use and infrastructure investment**, <u>which are difficult to reverse in a short timeframe</u>"[129]

Therefore the threats to sustainable development cited as CO2 emissions, diseases resistant to anti-biotics, hazardous chemicals, food scares, increasing personal poverty, ageing population, loss of bio-diversity, low fish stocks, soil loss and transport congestion all amid regional poverty increases, are a huge order to grapple with and change.

In 1999/2000 the Nitrates directive compelled Ireland to change its ways, yet it took six years to compromise with farmers to adopt the Nitrates regulations (SI No 378 of 2006), although it was discovered that the vast majority of farmers did not exceed the nitrates limits.[130]

Goals to change these threats have come in the new environmental and ecological treaties on water, pollution, renewable energy, agriculture, C02 emissions, energy, house design and build, city planning and Green sustainable finance is looking to fund these initiatives.

The legal framework of the EU, its legal personality *persona ficta* or a legal artificial person as *Europa* is a supranational corporation in which smaller corporations or multi-nationals do business.

A feature of the Corporations concerns its overriding primary function to produce a profit for the stockholders by law with no legal concern for the public good. Aided by limited liability which the group of people known as the corporation as a legal person are semi – immune from. The requirement in law to put its profit motive first ahead of competing interests which can be interrupted as society in general. The profit motive gradually streamlined corporations operations to narrow its responsibilities to the minimum legal requirement to ensure its profits.[131].

Corporations suffered traditionally from long term fixed capital costs. Neglecting this investment area corporations either went into a malaise (Soviet state capitalism) or adopted shorter term financial strategies which kept profits healthy (Enron) as opposed to keeping production as its primary function.
A major cause of this problem is long term fixed capital which if not neglected (as Carnegie and the Welfare capitalists proved every day) brings advantages of steady profit and new technological breakthroughs through research and development pressures. The burden of long term fixed capital goods and stock if not modernised produces eventual losses as they become inefficient, since this investment is also subject to borrowing then the perfect world of competition is also subject to diminishing returns through inflation. Debt is the result and soon the expected way to operate[132].

Corporations which experienced lowering profits, rather than cutting wages but increasing them and improving working conditions with fixed capital investment proved the stronger in the long run. Resisting short term profit speculation, and market solutions, for production quality and excellence also avoids over production if wages are not forced into excessive targets, producing subsidies (which are unsustainable, and set to disappear) effectively paying people not to work[133].

Therefore the neo – liberal corporation model will need to set its goals for success and integrate sound finance and economic fiscal into all policies to be sustainable.

Under new Fiscal and budgetary pressures, eaten away by bond repayments, and with Greece threatening to leave the EU, in the near future, how can the EU be financed?

On the periphery or local at local level in local authorities, city or county, a new global initiative/agenda for the 21st century is embedding itself into the regions. National Governments and the national spatial strategy, city mayors or council directors, will facilitate Local Agenda 21, first chartered in 1992, and updated and revised in 2012 at Rio + 20.

Local authorities and towns in transition will seek consensus from councillors and stakeholders (which can include the local authority as a developer). Unelected the sustainable development / local agenda 21 steering groups therefore fulfils bottom up development back to the centre, but others disagree, and in the United States Alabama has banned Agenda 21.[134]

In Ireland there are concerns over land use (and the right to own, roam and develop) and Strategic Development Zone's (SDZ) and how to incorporate local agenda 21 into them; (see also Moulaert on traditional lack of multidimensionality and trickle down wealth creation strategies[135])

Irelands agriculture in its increasing urbanisation accounts for only 2% of GDP with 5% of the workforce employed within it, and "the historical link to the land is weakening"[136]

Even after decisions at supranational level are reached bargaining continues however[137].
Yet 'supranational level' should be waiting for bottom up planning? but after World War 2 Charters, established by treaty to its member states, granted to IGO's (intergovernmental organisations) such as North American Free Trade Agreement, (NAFTA) or the General Agreement on Tariffs and Trade, (GATT) or the World Trade Organization (WTO) in public international law allowed representatives to discuss at Supranational level matters of mutual interest[138], but they are unelected, although national and regional actors can join.

At local level the citizen can engage within the existing local planning arrangements, which can be in turn nullified by bureaucracy and a lack of intuitive planning which allows development, without cultural, heritage or natural areas of beauty suffering as a result. Friends of the Earth estimate that the world global warming change temperature requires less than a 2o C change, and we have already raised it by 0.8 degrees[139]. Carbon credit derivatives traders on the other hand are with the farmers !

In line with the National Spatial Strategy 2002 – 2020, the National Development Plan 2007 – 2013, the National Climate Strategy 2007, and the Sustainable residential development in urban areas (& draft 2008) 2009. A full list of strategic content is gathered on page 5 of the plan.

Fis Nua Irelands newest political party adopted a basic submission (with a six page pre-amble) to the Rio Earth Summit (Rio + 20) via the Dublin Sustainable Development Unit in the Custom House [140]

Although addressing broadly some of the concerns of the wider public on the global initiative it is designed to ensure a conversation into policy begins in these areas. Its lack of adoption or adoption also tests the democratic process of Local Agenda 21.

The science of accruing debts as a permanent accounting deficit onto a national countries balance sheet by borrowing is the art of negative surveillance of shadow banking. Its aim is to bring ever larger areas of the world into smaller and smaller units of an institutions control. Thus every few decades the debt accrues, and power is reduced into fewer and fewer hands. This is of course the exact opposite of a free society, or indeed a Jubilee based upon Old Testament decrees and laws, and/or a real economic democracy which seeks to free society into ever increasing space's of liberty and happiness.

Investors need a quick return, company managers need to report a profit or investors could desert, a company could be vulnerable to takeover, and in America a craze of buying firms to strip them of assets cascaded until even financial managers and industry warned of the dire consequences. In error however many did not listen and instead blamed management of these companies (for the wrong reasons) especially Michael Jensen who in taking over firms fired lazy and 'bueracratic' management, who if the firm was performing poorly, should in fact impede resources to it rather than solve its problems (letting it die) freeing up resources to flow to productive activities in another branch of the firm or even another firm increasing the highest arte of return. Money managers ran firms and they often preferred to shut down a company to please Wall Street, and not to be seen as failures, whereas industry and long term commitment which society requires were unprofitable. An absurd situation.

Today the derivatives bubble hangs over the virtual parliaments (multinationals/stockmarket) which rest on top of our 'democracies' and legislature, debt is beyond levels of repayment for ever, unemployment is between 10% and 40% worldwide per country, and the system is wrecked.

"Collective organisation of society, imposed by an authoritarian government or by an intolerant society, can be oppressive. Indeed at the dawn of the industrial revolution, rampant abuses of traditional forms of power made the possibility of market based relationships appear as a promise of freedom"

This is why the occupy movement is currently failing in its aims, and why Agenda 21 is not sustainable. Finance has usurped the green movement, moving away from reality to introducing carbon credit derivatives, which previously were a fiancé capitalist instrument, becoming also model to save Mother Nature, and both instruments, were invented by the same woman.

Trading carbon credits it is claimed will reduce pollution and harmful externalities reducing reliance on the petro – chemical industry, and given a choice in making money by trading green or by trading oil, a rationale society will choose green.
A problem however arises when companies or governments buy credits and trade them on, or borrow against them as a commodity or asset, and the pollution continues. Derivatives as green carbon credits or financial commodities are escalating debts to crisis level beyond the planets capacity to repay into eternity. On the other hand the oil industry claim that patents for alternatives are unsuitable is also false.

This is of course unsustainable and not 'ESD' Sustainable for 20/20, 20/50 or even 20/13.

Practical building and the roots green movement have left permaculture / green living behind, in order to adopt the cloak of capitalism, and a general relativism. Mother Earth unlike Mothers in general has awoken to discover she has too many children, and the biosphere or Gia with its eons of evolution, and millions of years of intelligence, as a living organism (planet earth) has miscalculated suddenly, and now must reduce its family size. People, the planet and nature itself are out of step with capitalism or even communism and has now made an evolutionary mistake, and must address itself to the financial system and reduce its assets i.e. people, animals and society in general.

"Some key differences between green building and sustainable building are about social and cultural problems that are considered a limitation in the former (Kohler, 2003). In contrast, social, cultural and economic objectives are valued at the same level as ecological objectives when considering sustainable building. Where green building is focused on limitations and obstacles, sustainable building focuses on promoting synergy effects and optimization"[141]

Moving from green to green cash, ecology and environmentalism must also make the evolutionary jump to produce a profit.

There is no doubt that pollution, chemicals and forestry reduction is damaging the planet, but the ecology of commerce is greenwashed is producing austerity and poverty, whilst a minority live amid vast riches.

EU Fiscal merger.

Circulating currency is one method of controlling its value, fiscal (taxes, spending, borrowing) is the other, both are reliant on each other.

Europe is facing new bailouts in the staged crisis and it awaits its new dictatorship from the BIS (bank of international settlements) Bretton Woods and legally immune new central bank, financed through the City of London and Rome, amidst its borderless, but not free brave new world of Agenda 21 totalitarianism, which all requires a solution. Politicians and the government are not it and are actively seeking to make matters worse.

Europe as Rome may take over from the US petro – dollar in the new Bretton Woods system beginning in January 2013. The US in its special relationship may disagree.

Charles De Gaul the French president originally opposed British membership of the EU, but despite its fiercest critics in Britain some of them have actually taken Britain further into Europe than anyone expected.

Recently the stability and growth pact debate and economic matters have resurfaced in the form of the ESM (European Stability Mechanism) Treaty[142] and the Amendment to Article 136 of the European Constitution which is coupled with the fiscal compact austerity treaty building on the Delors advancement to further insist on. Ireland due to the *Crotty* ammendment had the right to referendum (which may not be the last in the EU) which it accepted.

Ireland like the other EU countries have to keep deficit spending to a 0.5 % above annual revenues. O.1% for heavily indebted countries, a debt to GDP ratio of more than 60% must reduce the imbalance by 1/20 th per year. Ireland s Debt to GDP is officially 95%, so Ireland must reduce its spending by €2.75 Billion a year over 20 years. **Cancelling its debt or reducing it vastly improves its fiscal scope**, as of course any countries scope is so increased.

This imbalance of €55 billion is based upon official figures which disagree with others, and most notably place Irelands public debt much higher, and its overall debt of nearly €374 Billion[143] (€95 Billion being public debt) still requires repayment to bondholders and will take away from taxes even further.

Alternatively for a more efficient anti-inflationary policy, which would defeat inflation, and a real Keynesian spending spree, without the deficits, simply apply anti-debt economics at central bank level. Inflation science as a true art should be universally free of inflationary practices leading to deficits.

The European Stability treaty is undemocratic, the fund cannot be reversed if called upon from member states,(article 9) it can amend the amount required (article 10) it is also not subject to law, and is immune from law (article 27) ? but can sue member states if it wishes (article 27).
<u>As such it is modelled on the IMF itself and the World bank.</u>

The Maastricht treaty allowed Britain to move to its third stage when conditions have been met[144] and the European stability treaty negotiations which became heated in December 2011 were qualified by David Cameron who explained;

“He also wants a separate protocol to protect the City of London from excessive EU regulation, including an agreement to let Britain enforce bank capital requirements that are higher than the proposed European maximum”

& “Other demands include an agreement that the new European Banking Authority should remain in London and protection from EU regulation of London-based US financial institutions that do not trade with the rest of Europe.

Mr Cameron also wants a written guarantee – making explicit what is already the case – that unanimity should apply to any proposed "user charges" for financial groups, including any variant of the controversial European financial transactions tax"[145]

Therefore nothing to do with saving the Euro, but more to do with the QVM or qualified majority voting that Mrs Thatcher agreed to in the Maastricht treaty. With QVM it is possible that Britain would be outvoted in favour of social regulated economics.

To bridge this gap, suddenly Herman Van Rompey stepped into the negations, in essence so that France could not force Britain out of the Euro or be in a two tier second position. A new protocol was enacted Protocol 12 which allowed for compromise on both sides.

Cameron was isolated from the discussions in refusing to re-negotiate protocol, although it seems he eventually capitulated to Van Rompey's request (the Economist)

However with the creation of the new and one fiscal office for Europe, Pope Benedict XVI having blessed its creation in Rome and Bavaria, the IMF is set to fund Europe's Central bank with the new Bancor currency (as Keynes coined it) as a result of Basel 3 on the banking crisis.

Greece at a loss of what to do in this 'crisis' has voted in the very people who were in power during the crisis, with a rise to the left and right in opposition.(a standard outcome of many elections, which results in weak co-alitions favoured by the IMF and banking circles)

This party option does not reflect reality. The Troika (*3*, a Russian word) is the European Commission (EC), the International Monetary Fund (IMF), and the European Central Bank (ECB).The IMF is controlled through Washington and London, and Washington is controlled by London.

Greece has suffered through World War 2 and up to its dictatorship of the Generals and acceptance of democracy in the 1970s, joining of the EU in 2001. Now in 'democracy' it is suffering again. The excuse is Greeks mismanaged the economy but it is only the rich in Greece who avoid paying tax. Spain and Ireland of course were lauded as Neo-liberal miracles, and they are in the same situation?

The new EBA office is in the city of London where it is always directed Europe since 1948, and Germany will ensure strict anti-inflationary policies[146]. Yet the largest trading area in the world is the City of London. The City of London trades 80% of the 4 Trillion daily trade in 2010[147]

The roots of the European Banking Authority in the City of London formerly the The Committee of European Banking Supervisors (CEBS) as made by a EU decision in 2004[148] but which grew out of the committee of the 'wise men'[149] who met in 2001. Among them was Baron Alexandre Lamfalussy, who also worked for the bank of International settlements (BIS) in the early 1970's.

The EU, Rome and Israel

BIS was created in 1930, and based in Basel Switzerland by (amongst others) the then Governor of The Bank of England, Montagu Norman (former employee of Brown Brothers Harriman & Co), and his German counterpart Hjalmar Schacht, later Adolf Hitler's finance minister, and director of the Reischsbank forerunner of the current Bundesbank.

Schacht was also in the Nazi party.[150]The International Monetary Fund grew out of the Bank for International Settlements, (BIS) although Lord Maynard Keynes was a London economist. Its first meeting in 1930 also included the heads of all central banks including J P Morgan & Co.[151]

Governor of The Bank of England, Montagu Norman was also a backer for Adolf Hitler[152] and the BIS in 1934, and encouraged Britain to offer tanks and guns for sale in German newspapers with armaments firm Vickers assistance. The Bank of England gave Hitler its backing in 1933[153].

After many meetings with Schacht, (later Adolf Hitler's finance minister), Montague Norman gave Hitler money power assurance, and was aided by Sydney Warburg, and Sir Henry Deterding[154]. Deterding owner of royal Dutch shell despised the communists, who had taken over some operations in the East, whereas standard oil and Rockefeller backed communist expansion in many countries. Wall Street also backed both sides in most wars.

“Nazism was born within the caul of orthodox finance, and Dr Schacht was the midwife”[155]

An earlier version of the Marshall plan, was the Young plan which would rebuild Germany from America funds. The young plan itself was introduced because the Dawes plan which amounted to Germany paying war reparations comprising 100,000 tonnes of pure Gold. Following World War 1 and the Treaty of Versailles in 1919, the payment was reduced to easier but onerous annual payments. The treaty of Versailles gave birth to the League of Nations and it in turn to the United Nations.

"In helping Germany into still further debt in order to enable her to pay reparations, the bankers were, all *unbeknown to themselves*, helping a man called Adolf Hitler, to exploit the socio economic misery and confusion in Germany"[156]

Adolf Hitler opposed both the Dawes and Young plan, blaming the war reparations on the treaty of Versailles and the subsequent hyper-inflation endured by Germany up to 1924. John Maynard Keynes also opposed the plan, but JP Morgan who later funded Michael Collins began loans to Germany from the Versailles treaty (1919) period, up to the Dawes and Young plan, each one becoming less burdensome, until the wall street crash in 1929, and until Hitler stopped all payments in 1932/33.

It is not reported that the ESM/IMF austerity treaty is a war reparation, but it is similar in many ways.

London is under pressure to allow Britain to have a referendum on the European Union, of which it is a member, and is bound by the Treaty of Rome and European Courts in legislation. It is interested in the EU/IMF austerity treaty for different reasons.

Brigid Laffan claims David Cameron just wished to protect the City of London from regulation in the EU treaties, (and the Tobin tax) even though she states Britain is not within the EU, [157] Laffan states it does not affect Britain[158] yet it obviously does, and both sides view the new fiscal measures, as a Trojan horse.

This is apparent from the City of London, actual membership of the EU similar to Sweden, in which it is in Europe nevertheless as the "Maastricht treaty & Protecol on certain provisions relating to the United Kingdom of great Britain and Northern Ireland" (page 33) explain [159]

France has signalled it will amend the treaty after the referendum[160]

Switzerland however has remained outside the EU yet it advises and has become a very wealthy country.

When we realise that the Swiss Bank of International Settlements Basel 3 report "Consultative Document Strengthening the resilience of the banking sector" Page 2 April 2010 states,

"Ultimately the public sector had to step in with unprecedented injections of liquidity, capital support and guarantees, exposing the taxpayer to large losses"[161]

This view was echoed by the British Government on June 14th 2012 "The government said it will legislate to isolate retail banking from riskier investment banking activity. That step was a key recommendation of the Independent Commission on Banking to protect taxpayers from bearing the cost of bank failures and to protect the savings of ordinary depositors" [162]

And "We've got to stop problems here in the City of London spilling onto our high streets and putting taxpayers' money at risk,'' Osborne will say, according to excerpts released in advance by the Treasury" [163]

Clarified by Richard Lloyd, executive director of consumer group Which?

"Consumers should never again have to foot the bill for a banking bailout that last time cost every man, woman and child 2,000 pounds" [164]

Repeated five days later on 19.5.2102 by JPMorgan Chase & Co Chief Executive Jamie Dimon who having to explain why the London headquarters lost 2 Billion dollars in a hedge trade said

"taxpayers should absolutely never have to foot the bill for a failing firm and that big banks should not be bailed out"[165]

Dimon also suggested that Rome (EU) was just as much to blame.

The inference is that depositors (taxpayers, and taxpayers are also used as an excuse to save a bad bank) before bondholders should be bailed out (savings) first in any future crisis (and they are expected), but this reassurance has not changed the underlying fact that taxpayers when placing taxes before the treasury are burdened by an automatic mechanism to underwrite bondholders without any say in the contract, or any democratic right to object in practice. This device means Billions are created out of nothing and only exist when the rubber stamp of the Ministers office underwrites them. The Bondholder then makes a profit on the fluctuating interest growth and cannot lose as taxpayers and taxes (the general economy) underwrites them automatically.

In the case of Anglo – Irish who were offering very good rates of interest, ultimately this level was unsustainable. Germany was not prudent or conservative in strict anti-inflationary models, when other nations taxpayers would have to pay its cost. This occurred in London and worldwide.

Taxpayers however cannot make a bond to itself (society) at no interest to create employment and infrastructure, by the same mechanism, hence it is not democracy but plutocracy, in which society is struggling to bring about democracy and economic democracy, which has been hidden and subverted in plain sight.

This "democracy" in every country also exists in totalitarian and communist countries.

With the European Stability Mechanism (and its referendum of 1/3 of its treaty) all 27 fiscal offices (and more as it expands) will become one, preventing wide and broad national regulation, surveillance and will allow debt currency (as opposed to annually corrected anti-debt currency) to flourish unchecked.

On the 29.6.2012 Ireland is allowed to cancel €40 Billion Euros of debt[166], (although some estimates suggest €90 billion is not even Irish domestic debt in any case), the debt cancellations however only ensure the IMF repayments continue, along with privatisations and austerity.

It is not impossible to cancel debts economically, scientifically or mathematically, it is only impossible politically.

Looking closer at the new deal of the European Financial Stability Facility, the precursor of the European Stability Mechanism, <u>it claims that banks can be recapitalised without taxpayers or</u>

treasuries becoming entangled in the mechanism, reducing the taxpayers burden. Ireland will therefore benefit fiscally via reduced interest payments.

"The agreement reached overnight calls for money to be sent directly to struggling banks without having to be channelled via a national Government fiscal department, which currently adds to a country's deficit. EU president Herman Van Rompuy said leaders had tasked him and European Commission president José Manuel Barroso to present a report in October outlining the long-term strategy.
The long-term strategy report is expected to set out "four essential building blocks" for a closer union. The four essential building blocks will include a banking union, joint budgetary decisions, deeper economic integration and a strengthening of democratic accountability"[167]

Yet this eventual closer Union will bring one unified EU tax system, with taxpayers once again being asked not only to underwrite bonds but also to have to comply with the terms of the ESM treaty which obliges member states (article 27) to pay into the bailout fund (stability mechanism) under threat of legal action, which of course effects its GDP and balance of payments, without the fines.

Channelling ESEF or SPV or ESM funds directly to recapitalise banks is only possible if national countries have no fiscal office. This is beyond federalisation into a superstate. Just as bailing out banks with taxpayer's money is wrong so it was also wrong in the USA, under Obama in 2008, with one fiscal office in a United States, so to is the eventual debt collapse and bailout under a Unified Europe with one taxation policy.

The Treaty of the Functioning of the European Union[168] (TFEU, the latest version of the Maastricht Treaty) which is a part of the new changes actually forbids bi-lateral loans (from one country to another), but the lesser known SPV or Special Purpose Vehicle (a procurement term) which is essentially the funds from the European Financial Stability Facility one step before the ESM/IMF austerity Treaty and article 2,) allows for closer fiscal union and taxation measures.

For instance article 27 of the ESM treaty (obligatory payments to it) is a *taxation* measure, and likewise the new SPV which requires the funds to be paid by each member state to help poorer member states, also requires the poorer member states to pay into it.

The funds would be issued as bonds at a ratio. Currently banks lend out at 10 *to* 1 officially but actually with no respect for the liquidity or actual money in reserve in many banks, the ratios are arbitrary when money is created out of nothing under the multiplier effect of federal reserve banking. Multiplier effects which apply to national circulating currency levels or monetarism (monetary base) also apply to fiscal measures, hence cyclical adjustments and available spending, which ultimately become meaningless.

The new SPV is therefore a new fund financed by taxpayers of the EU, leveraged from the EFSF (the referendum ESM/IMF austerity treaty) at possibly 10 *to* 1 and issued as bonds at interest, and which will also become a new reserve for the International Monetary Fund (IMF).

The process was eventually blocked by Finland and Holland, until it is re-presented for January 2013.

Against this new developing Europe which is not the Europe each member state voted into from the Treaty of Rome in 1957 up until 2011, the Royal Bank of Scotland and Barclays amongst others is hit by a crisis when it is revealed that traders who were gambling on the future **LIBOR** (London Interbank Offered Rate) average interest rate (rate) or **EURIBOR** (founded in 1999 with the launch of the Euro on a LIBOR model) the average interest rate estimates or bets, were found to be mutually inclusive with the banks.

As the banks submit their daily cost of borrowing figures from as many as ten different currencies across multi time zones around the world, the big banks submit their average rate. Producing between 10 and 20 rates (from 10 or 20 banks), the top four and bottom four are excluded and an average of the rest is the LIBOR rate for the day as defined by the British bankers association.

Enacted in 1984 by the BBA, the temptation for banks was to submit figures which suited the traders, in turn boosting their winnings or reducing losses, this in turn would help banks report bigger profits, and traders better bonus payments.

David Cameron (2/7/2012) announced an **official investigation**, but opposition parties have said it needs to a **public inquiry**, which is not proposed (at time of writing) “Mr Tyrie, who will chair the parliamentary inquiry, said this would be a “ringfenced job” and was not about “trying to work out how to reform the whole banking industry”[169]

Speculation and gambling. Fluctuating the interest rates at + or – 3% (to allow bonds to make profit) is not a scientific measure, but one in which allows fixed gambling as accepted banking practice, and homeowners to face rising interest charges, and to pay back hundreds of thousands in interest over a 25 year period (unnecessarily)

The trouble was the money does not exist, and the Bank for International Settlements estimates for 2011 totalled $554 Trillion in outstanding interest rate derivatives (an each way bet), whilst the inter alpha banks traded 4 trillion dollars per day. This in a crisis would wipe out the entire planets financial resources.

To counteract this gambling or speculation which taxpayers have had to bail out, a debate conducted since 2008 concerns the repeal of certain sections of the **Glass – Steagall Federal Reserve banking acts** of 1913. Ironically the separation of commercial banking (everday banking people are used to) from investment banking was a part of those 1913 acts, providing self liquidating banking (loans) for business and sale of goods, over a short term period. The 1929 crisis on Wall street revealed convenient weaknesses in the original framework. Naturally a government (of the people, by the people, for the people) could underwrite these banking transactions for itself.(only)

The underwriting when combined with investment banking and national debt making (making without cancelling) and modern computerised international gambling/speculation has led to accumulated debts over 100% of a nations assets and export trade, and gambling by underwriting as a sure bet, whereby the punter losing on a horse, asks the turf accountant / bookies to not only cover his bet/loss, but to bail him for what he would have won. This of course turns the world inside out.

Therefore taxpayers underwriting themselves alone could produce every need a society requires at full employment without hunger or poverty or homelessness.

Instead by throwing away anti-debt economics and a bounty of limitless funds (without greed) the world political control of the banks into a few hands, turned a pasture into a swamp.

Pulling down the power of the banks, is not of course creating wealth and this is the other side of the coin.

Germany has signalled it wants a second EU/IMF austerity treaty referendum (15.6.2012), and on the 2/7/2012 David Cameron has signalled he also wants a referendum on Britain's relationship with Europe. Pledging not to have the referendum before 2015, and hopefully having won the next general election before it, the actual referendum question may not be a "in or out" question but on a looser relationship with Europe, but hopefully one which will not effect the status of the International Monetary Fund and the European Banking Authority/City of London being in Europe

"If this effort is to succeed, it would have to overcome numerous political obstacles. Any push to yield more budgetary sovereignty to the EU authorities would be certain to meet resistance in France, Britain, the Netherlands and other countries. The essential aim is to put new measures to establish a fiscal union on a par with steps taken to create Europe's monetary union in the Maastricht treaty of 1992"[170]

Yet since the European Banking Authority is based within the City of London, how can Germany be resisting itself, and how can Britain be resisting Germany when it is in Britain. The Netherlands and France must be wondering which Pope to support, the Pope or the Archbishop of Canterbury Pope, whilst the Orange Order having made a deal with the Pope (but with no Popery ? [171], with the diplomacy and assistance of the Teutonic Knights of the Fleece, who retained both Roman Catholic and Protestant members[172]) serves the Crown and special relationship from Washington to Jerusalem under Rome and the Vatican, which still collects its rent from the Pentagon, whilst the Stuarts and Hanoverians (Saxe Coburg's), were funded from the same Central Bank of Belgium.

Germany in June 2012, like France in 2011/2012 also backs the Tobin or Robin Hood tax (financial tax)

With a new fiscal office based in the City of London providing IMF loans along the model of the Bank of International Settlements in Switzerland, the European Central Bank can float in-between them.

Rene Smit writing in November 2011, foreseeing the Special Purpose Vehicle or Euro Bonds (European Financial Stability Facility) of June 2012 and their speculative deliverance as preferred by Spain and others

" Tentative conclusions

Treaty change seems necessary, as does national constitutional change, to provide a firm legal basis for joint debt issuance by EU, or euro area Member States. The German position is most precarious here. Constitutional amendments to anchor budgetary restraint that are advocated, and Treaty change that is being explored, may provide a window of opportunity to adopt the necessary provisions to give a sound legal basis for the joint issue of 'stability bonds' "[173]

The European Central bank's constitution forbids bank bailouts[174](and see Lisbon treaty)[175] It has been induced to them by bad surveillance of fiscal policy from all major institutions internal and external[176] and bad advice[177] and pressure from the financial markets, slowly over time producing a different United States of Europe.

This disastrous outcome for society must surely mean either we reject austerity and by commonsense make a better system, or face real financial fascism.

Germany and Britain are in partnership, albeit vying for control of the European continent.

With the new funding mechanism for Europe (whatever shape it takes) as one central bank for Europe, it s monetary control will be pegged against Sterling and its fiscal control form London. This long economic war to shape Europe has at its root a disagreement not in direction but in style or philosophy. Looking back to the 1940's.

"That Norman (Governor of The Bank of England, Montagu Norman) made loans to the Hitler regime shortly after it took office in January 1933 is a fact. But did Norman finance the Nazis *before* they were in power, Normans biographer certainly thought so;

'It is quite certain that Montague did all he could to assist Hitlerism to gain and maintain political power, operating on a financial plane from his stronghold in Threadneedle street" [178]

" Naturally Norman did not supply Hitler with money from the Bank of England, but there is evidence that he played a significant role in arranging the financing of the Nazi's"[179]

The only worry concerning Hitler from the Stein bank of Cologne (intermediaries' s between Hitler and the Bank of England) was to inquire via the directors of the London Schroder bank as to the opinion of Hitler in the international financial community of which London was the centre, and Montagu Norman the head. They approved and in light of Hitler's book Mein Kamp published in 1925, this decision and continued decisions from 1933 to 1939 has caused deep concerns as to the actual origins and creation of Israel.

The Summer of 2012 saw the Rothschild's and Rockefeller's uniting[180] Naturally the creation of Israel both from Germany and Britain, America and wider has left many Israelis and Jewish people and Christians generally concerned that the instigators behind the creation of their countries modern beginnings, also helped those who created the Holocaust, and the 55 million who died in World War 2. World War 2 which began in Japan, but which was also fought in the middle east. Europe has been central to Israel's creation.

Yet German and British policy from 1933 and before was one in which re-patriation to Israel for Jewish families was open policy, and not a holocaust, (including Hitler who stated as much in Mien Kampf). Anti-Semitism stirred the exodus from outer countries into Israel. Rome rescued Jewish refugees, Lord Evelyns Rothschild’s Uncle (also Evelyn de Rothschild, a soldier) was killed in Palestine in World War 1, at the battle of Mughar Ridge. Germany as a protestant country holds Israel as central to its beliefs. The Ashkenazim or true Torah Jews[181] hold that Israel’s birth is early and should not exist before the Messiah’s arrival. Islam whilst acknowledging the prophets ultimately does not recognise Israel, and the bible comprises both old and new testaments.

From the speculation surrounding the creation of Israel, comes the conspiracy theories, which this author does not hold to, e.g. the Holocaust denial. The conspiracy theories are endless.

The eventual theory that Germany suddenly sided with the Arabians in WW2, whilst Lawrence of Arabia betrayed them was a planned operation in advance. Ancient religions are sometimes blamed yet are also applauded for their awakening of the lost tribes[182].

The Holocaust is and was real. To the worlds Jewish tribes this question and what indeed must be the cause of western malaise for over sixty years is central to the point and purpose and spirit of what Israel is. The continued debate on Zionism, which Germany and Britain ‘created’ has left Zion behind.

Therefore all things being equal and in the spirit of truth Europeans, who deserve a prosperous Europe, also want a free and open Europe, which in its creation of Israel, also only needs the truth on its side.

Jerusalem has existed for thousands of years which is proof of its purpose in history and in fact.

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