# The Eurozone Crisis
## Causes and Solutions

Géarchéim Limistéar an Euro - Cúiseanna & Réitigh

Sinn Féin

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# FOREWORD

**A Chara,**

Today if you don't like the economic or fiscal policy being pursued by the Irish Government you can choose to vote for someone else who will implement different policies.

However, the treaty currently being negotiated by EU leaders significantly reduces the ability of any future elected Irish Government to implement any policies of its own.

It hands over significant control of fiscal and budgetary matters to un-elected and unaccountable EU officials.

This austerity treaty is bad for Ireland and bad for Europe. Rather than stabilising the Euro it will make matters worse.

It seeks to impose drastic and destructive austerity policies into perpetuity and means the Irish Government will have to implement budgets that involve savage cuts for its full term of office and beyond.

Unemployment, emigration, poverty and inequality will rise. National and household debt, already at unsustainable levels, will increase. Crucially the arbitrary and draconian 0.5% deficit target will not be reached.

Explicitly ruling out private sector involvement in future debt write-downs means toxic-banking debts will be paid by taxpayers, irrespective of social or human cost.

There are alternatives. Sinn Féin is arguing for investment in jobs and growth. We want to see debt-restructuring agreements for over-indebted economies involving debt write-downs to assist them return to debt-sustainability, and the end to the obligation on the State to pay the Anglo Irish Promissory Note and unguaranteed senior bondholders in Anglo and other banks.

Europe's leaders are failing. Unless there is a radical change in policy the instability will continue and may result in the collapse of the Euro. There is still time for the Irish Government to reconsider its support for the treaty and work with other EU states for a real solution to the Eurozone crisis.

**Is mise,**

**GERRY ADAMS T.D.**

**UACHTARÁN SHINN FÉIN**

# Introduction

Sinn Féin believes that Ireland's place is in Europe. Co-operation with our European partners is essential if we are to meet the challenges facing us in the time ahead.

However, Sinn Féin believes that the Fine Gael/Labour Government has failed to stand up for Ireland in Europe and that the treaty now being drafted by EU leaders will not solve the Eurozone crisis but will in fact make matters worse both for Ireland and for Europe.

The Fine Gael/Labour Government is trying to avoid a referendum on this issue. They don't want citizens to have their say. Sinn Féin believes the people must be able to decide on any agreement with such far-reaching consequences for this country and has called on the government to commit clearly to a referendum.

The government has also attempted to portray the choice before the Irish people as that of staying in the Eurozone or leaving. This is not the case. Ireland's position as a member of the Eurozone is secure no matter what position we take on the emerging Treaty.

The real question currently facing the Irish people is whether the the Treaty being drafted by EU leaders is a good deal for Ireland and for Europe. Sinn Féin believes that it is not.

# Réamhrá

Creideann Sinn Féin gurb í an Eoraip an áit ag Éirinn. Tácomhoibriú lenar bpáirtnéirí Eorpacha riachtanach má tá muidchun na dúbhshláin atá amach romhainn a shárú.

Creideann Sinn Féin áfach, gur theip ar Rialtas FhineGael/Lucht Oibre seasamh suas d'Éirinn san Eoraip agus nachréiteoidh an Conradh atá ceannairí an AE a dhréachtú faoiláthair an ghéarchéim i limistéar an euro. Is amhlaidh is measa adhéanfaidh sé rudaí d'Éirinn agus don Eoraip.

Tá Rialtas Fhine Gael/Lucht Oibre ag iarraidh reifreann asheachaint ar an cheist seo. Níl siad ag iarraidh cead cainte athabhairt do shaoránaigh. Deir Sinn Féin gur ceart do na daoinea bheith ábalta cinneadh a dhéanamh ar chomhaontú ar bith dáléithid a mbeidh tionchar mhór aige ar an tír seo agus glaoimidar an Rialtas tabhairt isteach go rí-léir do reifreann.

Tá iarracht déanta fosta ag an Rialtas cur i iúl do mhuintir nahÉireann gur rogha atá anseo idir fanacht san Eoraip nó fágáil. Níl seo fíor. Tá seasamh na hÉireann mar bhall de limistéar an euro daingnithe is cuma cén seasamh a ghlacfaimid sa Chonradhatá ag teacht.

Is í an fhíor cheist atá os comhair mhuintir na hÉireann faoiláthair ná: An bhfuil an Conradh seo atá ceannairí an AE adhréachtú in shocrú maith d'Éirinn agus don Eoraip? CreideannSinn Féin nach bhfuil.

# Executive Summary

- The Eurozone crisis is having a negative impact on the social and economic well-being of people throughout the EU. It is blocking a return to economic growth.
- There is an urgent need to stabilize the currency.
- The intergovernmental treaty being negotiated by EU leaders will not solve the Eurozone crisis. It will make matters worse. It is bad economics and bad politics.
- The Irish Government must reconsider its support for the deal and work with other EU member states to secure a solution to the Eurozone crisis.
- The agreement is not a fiscal compact. It is an austerity compact. It seeks to impose right wing austerity policies on Irish and EU governments in perpetuity.
- Introducing a new 0.5% of GDP deficit limit in state law will mean that the government will have to implement austerity budgets not just to 2015 as required by the EU/IMF programme, but for its full term of office and beyond.
- Introducing a stronger excessive deficit procedure compelling member states with debt-to-GDP ratios above 60% to reduce that debt by 5% annually will mean that austerity will be even more severe than in recent years.
- The agreement underlying the treaty explicitly rules out any private sector involvement in future debt write-downs. This means that all toxic-banking debts will be paid by the taxpayer, irrespective of the social and human cost.
- Proposed changes to the European Stability Mechanism treaty mean that Fine Gael and Labour have not only signed up to an austerity treaty, but a bank-bailout treaty too.
- This will lead to a decade of austerity and economic stagnation. Unemployment and emigration will rise. Poverty and inequality will affect more and people. National and household debt, already at unsustainable levels, will increase. And crucially the arbitrary and draconian 0.5% deficit target will not be reached.
- The treaty undermines member state democracy.
- Additional powers are to be given to the European Court of Justice and the European Commission to police the new 0.5% deficit ceiling and the strengthened excessive deficit procedure.
- These powers will enable the court to adjudicate when member states are in breach of the new austerity rule and empower the Commission to impose specific fiscal and budgetary policies on democratically elected governments.
- This amounts to a significant transfer of power from democratically elected politicians in member states to unelected judges and civil servants in Luxembourg and Brussels, which takes real power away from citizens.

## There are alternatives to the deal signed up to by Fine Gael and Labour

### Sinn Féin is arguing for:

1. Investment in jobs and growth. Increasing the lending capacity of the European Investment Bank so that by working with member states on major investment projects it can help stimulate activity in the real economy.
2. Cleansing the European Banking system of toxic debts through a new round of rigorous stress tests and deleveraging followed by recapitalisation where necessary funded by the European Central Bank.
3. Debt-restructuring agreements for over indebted economies involving debt-write-downs to assist them return to debt-sustainability. Ending the obligation on the state to pay the Anglo Irish Promissory Note and un-guaranteed senior bondholders in Anglo and other banks.
4. Within existing EU treaty provisions the European Council must ensure that the European Central Bank takes all necessary action to stabilise sovereign bond interest rates and ensure market access for all member states.

# Dealing with the symptoms

The Eurozone crisis became evident when Greece was frozen out of the international bond markets in 2010 and the EU and IMF intervened. At this point EU leaders believed the problem to be a purely Greek one. It was argued that the Greek government had borrowed and spent recklessly, had run up excessive debts and deficits and markets no longer believed that they would repay their debts.

The solution proposed was to impose austerity on Greece to force it to get its deficit into line with the Stability and Growth Pact criteria and to provide funding in the form of loans from EU member states and the IMF until such time as the international bond markets were willing to lend to Greece at an acceptable rate. When Ireland and then Portugal were frozen out of the international bond markets in 2010 and 2011 EU leaders took the same view and applied the same proposed solutions.

While the circumstances surrounding Ireland's forced entry into the EU/IMF programme in November 2010 were different to that of Greece and Portugal the policy prescription from the EU and IMF was the same. Ireland had always met the Stability and Growth Pact criteria and had run budget surpluses and had a low Debt-to-GDP ratio in the period preceding the economic crash of 2008.

However the cost of the bank bailouts in 2009 and 2010 and the additional risk to the state arising from the banking guarantee and NAMA meant that the markets also believed Ireland may not repay its debts. Emergency loans were provided for Ireland on broadly the same austerity terms as Greece and subsequently Portugal.

At this stage the view of the EU leaders was that this was a crisis of the Eurozone periphery, caused by reckless spending, borrowing and bailouts of the banking system. It was viewed as a debt crisis to be rectified by a heavy dose of austerity.

The EU established a temporary bailout mechanism known as the European Financial Stability Facility which had a lending capacity of €440bn. Monies from this fund would be provided to 'programme states' on the basis that their governments would adhere to strict policy prescriptions and monitoring by the European Commission, the European Central Bank and the International Monetary Fund.

The EFSF was to be replaced in 2013 with a permanent bailout mechanism known as the European Stability Mechanism with an initial fund of €500bn. While the details may have differed, the basic premise and function of the ESM was the same as the European Financial Stability Facility

However by the summer and autumn of 2011 it became increasingly clear to EU leaders that the problem was not contained to the periphery. Core Eurozone economies including Italy, Spain, and France and to some extent Germany were all coming under pressure from markets who increasingly believed they would have difficulty repaying their debts.

The funds available to the European Financial Stability Facility were too small to provide any meaningful safety net either for the larger economies or the markets should the likes of Italy or a Spain get into trouble.

In addition to the rising cost of state borrowing in the Eurozone core, banks in the core economies were also experiencing difficulties of their own as a result of high exposure to peripheral Eurozone sovereign debt.In response to the growing crisis a number of solutions were proposed.

The first, agreed at the crisis summit in July 2011, was to increase the size of the funds available to the European Financial Stability Facility by raising funds on the international markets, supported by guarantees provided by EU member states.

The second was to bring forward the start date of the European Stability Mechanism to 2012 in an attempt to reassure the markets that the EU was serious about resolving the cause of the problem. However when this failed to provide the necessary funds three alternative scenarios were proposed all involving the European Central Bank (ECB).

The first was that the ECB would lend money to the European Financial Stability Facility to provide the necessary financial safety blanket needed to reassure the markets. The second was that the ECB would lend money to the IMF which would provide the safety blanket. Finally the European Commission proposed 'Eurobonds' as a mechanism to raise money on the international markets which would be used to provide the safety net.

However at successive European Council summits in 2011 EU leaders and the European Central Bank were unwilling or unable to agree on which combination of these measures should be implemented. By December 2011 many economists, commentators and politicians believed that the Euro was close to collapse.

At a controversial crisis summit on 9 December 2011 26 EU leaders agreed a new set of proposals which they hoped would resolve the crisis.

Because the British Government would not support the proposals the other 26 leaders decided to operate outside the EU treaties. They proposed the creation of a new 'fiscal compact' aimed at reducing member states' debt and deficits. They also proposed to amend the draft ESM treaty to prevent future private sector debt write-downs and to bring the ESM start date forward to mid-2012.

The reaction to the agreement was broadly criticised by economists and commentators. Even those who supported its contents argued that it would not address the causes of the currency crisis. Once again EU leaders failed. They focused on the symptoms of the crisis rather than the causes. They clearly did not understand the causes of the crisis and as a result were proposing the wrong solutions.

# Analysis of draft intergovernmental treaty (draft 3)

Following the European Council meeting of 9 December 2011, a committee of over 100 people from member state governments, the European Central Bank, European Commission and Parliament started to work on drafting the inter-governmental treaty.

A third draft of the treaty was circulated by the European Council on 10 January 2012.

It is intended to present a final draft to the European Council meeting on 29 January 2012 for agreement. The treaty is then due to come into force on 1 January 2013 subject to ratification by at least 12 member states.

Below is a brief summary and analysis of its contents.

## Contents

**Preamble:** A three-page preamble outlining the aspirations and existing obligations for the signatories such as 'ever-closer coordination of economic policies', 'sound and sustainable government finances', 'price stability', 'strong sustainable growth', 'need [for]deficits to remain below 3% of GDP' and 'government debt is below or significantly declining towards 60% of GDP'.

The preamble states that it is the objective of the Eurozone heads of state and government to 'incorporate the provisions…as soon as possible into the Treaties on which the European Union is founded'.

The preamble states that 'compliance with the obligation to transpose the "Balanced Budget Rule" (i.e. not running deficits of more than 0.5% of GDP) into national legal systems through binding and permanent provisions, preferably constitutional,should be subject to the jurisdiction of the European Court of Justice'.

Significantly, compliance with the balanced budget rule contained in the treaty is stipulated as a condition for receipt of funds under the European Stability Mechanism, the EU's permanent bailout mechanism due to come into operation in 2012.

**Article 1:** Signatories agree to 'strengthen the economic pillar of Economic and Monetary Union', to 'strengthen the coordination of policies and to improve the governance of the Euro area'. It also states that the treaty 'shall apply in full to the Contracting Parties whose currency is the euro…' and under certain conditions to member states outside the Eurozone.

**Article 2:** Agreement must be 'in conformity' with EU law.

**Article 3:** Outlines the rules and exemptions to budgetary discipline, including those relating to balanced budgets and circumstances in which temporary deficits are allowed; providing more detail on the operation of the 0.5% balanced budget rule; outlining some exemptions for over-indebted countries; outlining an automatic correction mechanism in place to force countries in breach of the balanced budget rule to amend their budgets on recommendation from the Commission and for this mechanism to have a 'binding and permanent character, preferably in constitutional law'; detailing the role of the Commission and Council in enforcing the balanced budget rule; and providing definitions of 'deficit' and 'exceptional economic circumstances'.

**Article 4:** Requirement to reduce government debt by 5% per year when it exceeds 60% of GDP.

**Article 5:** Procedure for an Economic Partnership Programme, to be submitted to the Commission and Council, detailing Government plans to reduce debt and deficit based on EU law.

**Article 6:** Commitment to improve reporting of national debt and to provide reports to the Commission.

**Article 7:** Obligation to support Commission proposals where 3% deficit ceiling is breached, and new Qualified Majority Voting blocking mechanism. Under existing EU rules the Commission can only intervene if a qualified majority of the European Council agrees on such a course of action. Under the changes proposed in the Treaty Commission intervention would be automatic unless a qualified majority votes against such action. This is called QMV.

**Article 8:** Mechanism for one EU member state or the European Commission to take another member state to the European Court of Justice for breaching the Agreement; obligation on signatories to comply with European Court of Justice judgments.

**Article 9:** Commitment to 'enhanced convergence and competitiveness' and support for 'Euro Plus Pact' (a set of rules dealing with coordination of fiscal and budgetary policy in the EU agreed by the European Council in 2011).

**Article 10:** Commitment to use 'enhanced cooperation' on unspecified matters (enhanced cooperation is a mechanism provided for in the EU treaties that allows small numbers of member states to proceed with policy initiatives without the support of all 27 member states).

**Article 11:** Commitment by member states to share 'major policy reforms' with each other and with EU institutions in advance of their implementation and to coordinate such reforms.

**Article 12:** Creation of new informal Euro Summit meetings involving euro member state leaders, the president of the Commission and the ECB (with its own president elected by summit with a simple majority), to meet at least twice a year. This is a non-EU structure attempting to manage EU institutions and policies.

**Article 13:** Commitment to hold meetings of members of national parliaments with their European Parliament counterparts.

**Article 14:** Requirement that twelve member states ratify Agreement in order for it to come into force.

**Article 15:** Allows for accession states to sign up to the treaty on joining the EU.

**Article 16:** Clause allowing treaty to be incorporated into EU law within five years based on certain qualifications.

# Analysis

The document raises as many questions as it answers and the full implications of the text will not be known for some time, subject to changes that are made during the negotiation process.

At this stage there are a number of key areas of concern:

**1: Requirement for 'Balanced Budget Rule' to be binding, permanent and preferably constitutional:** This is in the preamble and Article 3. If implemented, this will mean austerity budgets and severe debt reduction targets for the foreseeable future. While the word 'preferably' enables the Government to avoid a referendum on this specific issue, the word 'permanent' means that the rule would exist indefinitely.

**2. Tougher deficit and debt rules:** Article 3 includes the new 0.5% deficit target meaning that as a general rule the government should not exceed that 0.5% ceiling. At present the target ceiling is 3%. Article 4 includes a new 5% per year debt reduction target whereby member states whose debt-to-GDP ratio is above 60% would have to reduce their debt by 5% annually until they are within the 60% ceiling. These are very draconian and if implemented fully would mean austerity for at least a decade. However, there are some possible exemptions, both in terms of application of the deficit rule and the debt reduction targets. The full detail of these and how they would operate are not yet clear.

**3. Greater powers for Commission and Court of Justice:** Articles 5, 7 and 8 provide for additional powers for the Commission and jurisdiction of the ECJ. There is very little detail here but the direction is clearly one that would reduce the ability of member states in breach of the deficit and debt rules to control their own budgets.

**4. Enhanced Cooperation:** Article 10 includes an undertaking to make greater use of enhanced cooperation; this is the mechanism whereby smaller numbers of member states can move ahead with policy reforms (such as the Common Consolidated Corporation Tax Base or Financial Transaction Tax proposals currently being pursued by the European Commission). The article doesn't reference any particular area of policy but if the signatories wanted to move on issues such as Common Consolidated Corporation Tax Base or Financial Transaction Tax it would be via this article.

**5. Incorporation of treaty into EU law:** Article 16 is an attempt to transpose the contents of the intergovernmental treaty into EU treaties by the backdoor after a period of five years. The legality of such a move is deeply questionable. It is also clearly an attempt to circumvent the ordinary revision procedures of the EU which govern treaty change and the democratic safeguards contained in this procedure.

**6. Linking ratification to ESM eligibility:** This addition to the preamble of the treaty emerged only in the third draft. It is believed to be at the request of the German government and in response to the inclusion of the word 'preferably' in the clause concerning placement of the balanced budget rule in member states' constitutions. It is clearly an attempt to bully peripheral states, such as Ireland, into adopting the treaty to ensure ESM eligibility into the future.

# REAL SOLUTIONS - SINN FÉIN'S ALTERNATIVE

Sinn Féin's attitude to the ongoing crisis in the Eurozone is that the priority right now must be to stabilize the Euro.

We do not believe that fiscal federalism will stabilize the Euro. The current policy of austerity and bank bailouts will led to greater instability in the Eurozone. The 'one size fits all' monetary policy was part of the problem; adding a 'one size fits all' fiscal policy will only make matters worse.

Sinn Féin is firmly of the view that what is required now is a different approach based on investment and economic growth.

Sinn Féin has been consistent on the issue of economic and monetary policy and the European Union. Our approach has been guided as to what is in the best interests of Ireland and Irish citizens.

Sinn Féin opposed entry to economic and monetary union in 1992. We argued that a 'one size fits all' policy would be bad for smaller EU states, as the direction of policy would be determined by the interests of the larger, more powerful states. We argued, correctly, that this would result in a further loss of Irish sovereignty and would lead to bad economic decision-making.

Sinn Féin's warnings have been borne out by developments since — the current crisis in the Eurozone is a result of a fundamental flaw in the single currency and the bad policy implemented by the European Central Bank (ECB).

However, it is important to point out that, given the levels of public and private debt in the state and the level of exports within the Eurozone, the social and economic impact of a withdrawal would be severe for ordinary low and middle income citizens.

Stabilising the Euro and returning to social and economic growth, as Sinn Féin advocates, means that we must understand the cause of the crisis in the Eurozone and implement solutions aimed at resolving it.

There is an inherent instability built into the heart of the Euro currency project which advantages strong economies while disadvantaging weak economies. This can best be seen in the cases of Germany and Greece.

The single currency made German exports more competitive, boosting their exports and growth levels. In turn, this led to trade surpluses while also encouraging savings surpluses. In addition to exporting manufacturing goods, Germany also became a major exporter of capital in the form of loans by German banks.

Weaker Eurozone economies such as Greece were able to borrow money at cheaper levels with lower levels of risk. This led to an increase in Government and private debt, as Greece built up trade deficits, and rising levels of personal debt.

The design of the Euro incentivised many strong economies to produce ever bigger surpluses, and weak economies to produce ever bigger levels of private and public debt.

Domestic policy choices in weaker and stronger economies also played a key role, and though they could have been used to counterbalance this tendency, in most cases they were not. However the architecture of the Euro and the policies of the ECB were decisive in deepening the existing imbalances between stonger and weaker economies.

The central problem was that there was no mechanism for recycling the surpluses generated by the stronger economies in a way that would assist economic development in the weaker economies.

The 'one size fits all' monetary policy, set mainly according to the needs of the stronger national economies such as Germany and France, exacerbated this problem – by incentivising aggressive lending by major European banks and their counterparts in the periphery, and reckless borrowing by Governments and in many cases individuals.

Eventually the levels of aggressive borrowing and lending became too great; banks became risk-averse and lending into the real economy stopped during the credit crunch in 2007 and 2008. While this was a global problem, it had a particular impact on the stability of the Eurozone.

The ensuing recession led to rising unemployment, falling tax revenues and spiralling deficits across the national economies of the Eurozone. This was made much worse by the policy of the European Central Bank, supported by member state governments, to bail out banks irrespective of the cost. At this point the markets began to believe that their debts to Governments, first in the Eurozone periphery and then at the core, would not be honoured. This drove up interest rates and led to peripheral economies being frozen out of the markets.

In response, EU leaders threw oil onto the flames of the growing crisis, by further contracting economies with austerity and increasing debt levels by insisting on bailing out banks.

Any solution to the Eurozone crisis must follow a number of interrelated steps. There is a need to correct the design flaws inherent in the project itself. We need to invest in economic growth, primarily in the form of jobs. The European banking system must be cleansed of its toxic debts. There is also a need to reduce the debt levels across the Eurozone through debt restructuring.

Thus, rather than continuing with the policies of fiscal integration, crippling austerity and bank bailouts favoured by Fine Gael, Labour and their European counterparts, Sinn Féin is advocating a strategy of investment, debt write-downs, and market return.

## Investment

The Eurozone urgently needs investment in jobs, particularly in the periphery. This can be achieved by combining the resources of member states, such as the €5bn in the discretionary portfolio of the National Pension Reserve Fund, with an enlarged investment fund in the European Investment Bank.

Sinn Féin is arguing that the existing funds of the European Investment Bank should be supplemented by a once-off investment by EU member states on a proportional basis. In addition, the matching funding criteria for member states should be amended to a 75:25 ratio with the European Investment Bank providing the larger portion. With this enlarged fund, the European Investment Bank would work in partnership with those states experiencing severe recession to roll out major projects in order to generate employment, increase competitiveness and improve the social and economic infrastructure, leading to both immediate and long term economic growth.

In the first instance, this EU-wide investment programme would aim to kick-start those economies experiencing recession and assist them in reducing their deficits. However, a reformed and enlarged European Investment Bank would remain in place after the initial investment period, as a permanent mechanism aimed at recycling a portion of the excessive surpluses from the stronger economies to those on the Eurozone's periphery in need of longer term economic development. Unlike the existing bailout transfers, under the terms of the European Financial Stability Facility or European Stability Mechanism these investments would produce a win-win for both the stronger and weaker economies, generating growth in the periphery and investment return for the investors.

In Sinn Féin's view, an enlarged European Investment Bank working with member state governments would not only assist the immediate problem of underinvestment but would also help address the

underlying imbalances in the Euro between those states with excessive surpluses and those with excessive deficits.

## Debt write-downs

In parallel with this major investment programme, there is a need to reduce the debt burden, particularly for those states with unsustainable levels of debt such as Greece and Ireland. This can only be achieved by writing down a portion of the debt currently held by sovereigns. In Ireland's case, this can be achieved by writing down debts that were originally banking debts while honouring real sovereign debt. In the first instance, this will require lifting the obligation on the state and the taxpayer of the Anglo Irish Bank promissory note. This could be achieved by agreement with the ECB and would reduce our debt-to-GDP ratio by up to 20%.

## Cleansing the European Banking System

There is also an urgent need to cleanse the banking system of the as yet undisclosed and un-quantified toxic assets on its balance sheets. This can only be done by imposing rigorous stress tests, including not only banks' loan books but also their exposure to sovereign debt and all special purpose vehicles used for toxic assets, such as credit default swaps and collateralised debt obligations. These new stress tests must be followed by a process of writing down portions of the banks' toxic debts and deleveraging assets in order to refocus the banking system on the needs of the real economy. Only after such a process should the European Central Bank provide any capital required for the recapitalisation of the cleansed banks.

## Returning to the markets

While investing in the real economy and making debt levels more sustainable, there is also a need to assist member states to return to the markets at normal interest rates. Within existing EU treaty provisions the European Council must ensure that the European Central Bank takes all necessary action to stabilise sovereign bond interest rates and ensure market access for all member states.

The European Council should, under Article 282 (2) of the European Treaties, instruct the ECB to take whatever emergency action is required to stabilise the Euro, including entry to the primary market on an emergency basis to stabilise the price of sovereign bonds, in order to prevent any Eurozone member state from being frozen out of the markets due to prohibitive interest rates. This should include, on an emergency basis, the ECB buying Government bonds of countries currently excluded or at risk of exclusion from the markets. Such bond buying programmes should be done in parallel with programmes agreed between the member state and the ECB detailing strategies for deficit reduction, economic growth and debt reduction.

By investing in growth, reducing the levels of debt, cleansing the banks and assisting member states to remain in or return to the markets at normal borrowing costs, Sinn Féin believes that the instability in the Eurozone can be calmed, the imbalances in the design of the Eurozone can be corrected, and the economies of the Eurozone can be returned to growth. This can all be done within the existing EU treaties and without imposing crippling austerity on ordinary people.

# CONCLUSION

The policy of Governments in Ireland and across the EU is one of more austerity, more bank bailouts and handing more and more decision making over to EU institutions. This is the very opposite of what Ireland and the EU need.

Instead we need greater flexibility for member states to implement policies suited to their specific needs, we need major investment in jobs to generate economic growth and assist in deficit reduction, and we need debt reduction to enable indebted member states to return to the markets at normal rates.

Implementing these policies means we must reject the inter-governmental treaty currently being negotiated and call for a change of direction in policy by the Fine Gael/Labour coalition and by the other members of the European Council.

Sinn Féin will vigorously oppose any attempt to impose the inter-governmental treaty on the people of this state. We will continue to demand a referendum on the issue and we will seek to challenge any attempt by the government to ratify it without a referendum.

Sinn Féin will also continue to oppose the policy of fiscal federalism, crippling austerity and bank bailouts while promoting the alternatives of investment, debt write-downs and market return.