

One of the nastiest and most immoral political acts in modern times

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People who rob old ladies in the street, or hold up security vans, are branded as thieves. Yet when Germany presides over a heist of billions of pounds from private savers' Cyprus bank accounts, to 'save the euro' for the hundredth time, this is claimed as high statesmanship.

It is nothing of the sort. The deal to secure a €10 billion German bailout of the bankrupt Mediterranean island is one of the nastiest and most immoral political acts of modern times.

It has struck fear into the hearts of hundreds of millions of European citizens, because it establishes a dire precedent.

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Hands off! Banking sector workers have been protesting outside of Cyprus's parliament in Nicosia



A Europe-wide precedent? The deal to secure a German bailout of the bankrupt Mediterranean island has struck fear into the hearts of hundreds of millions of European citizens

If democratically elected governments are willing to impose outright confiscation of up to 40 per cent of balances over €100,000 upon depositors in Cyprus, then why not another such hit tomorrow — in Spain, Italy or, most plausibly, Greece?

This is the most brutal display since 2008 of how far the euro-committed nations are willing to go to save the tottering single currency. It shows that the zone's crisis will run and run, to the grievous disadvantage of almost everyone except the Germans.

Berlin insisted upon a harsh line towards the Cypriots because they inhabit a small island with no political clout. Cypriot bankers have behaved with fantastic irresponsibility. They lent huge sums to Greece, and offered high interest rates to dirty money, with no questions asked.

Months ago, the Germans made it clear that they balked at providing a cash lifeline to the Russian gangsters who have tried to take over Cyprus with a nod from their friends in the Kremlin.

But hundreds of thousands of honest, decent citizens, including British residents, also had money in the island's banks. They took it for granted that if Cyprus's financial system was deemed worthy to be part of the eurozone, it must be as safe as the Bundesbank.

They were fully entitled to make that assumption, and to be outraged by the looting of their accounts today.

Cypriots want to get back to work as banks remain closed



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Protest: Many citizens took it for granted that if Cyprus's financial system was deemed worthy to be part of the eurozone, it must be as safe as the Bundesbank

The fact that Cyprus is a rackety semi-gangster society made it madness ever to allow the island to join the eurozone, rather than an excuse, as now, for stealing its citizens' money.

The Germans, who effectively control and bankroll the whole single-currency system, acted recklessly by signing on Cyprus — and Greece, Italy, Portugal, Spain and Ireland. None of these countries had economic convergence with northern Europe.

But Berlin chose to pretend that they did, because it thus became enormously profitable for Germany to trade with them in an undervalued common currency rather than a sky-high Deutschmark.

It always appeared absurd for the Germans, who — like the British — obey rules, pay taxes and tell the truth in financial documents, to form a financial union with the southern Europeans, who do none of those things, and are never likely to.



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Incredibly, there is a real prospect that Silvio Berlusconi will be able to form a new Italian coalition government, even though a string of court verdicts has found him to be a major criminal with a repulsive record of sexual behaviour.

How can the rest of Europe do serious business with a country that wilfully chooses to be led by such a man? Many Italians find this acceptable, and somehow make it work. But the Italian way, like the Cypriot and Greek way, is not our way. The Germans, by trying to pretend otherwise, are defying gravity.

More than two years ago now, I heard a senior central banker flatly declare that the eurozone is unsustainable. He has repeated the same view every time I have seen him since, most recently a few weeks ago.

He believes that if the southern Europeans left the system, after a period of turmoil they might be amazed how quickly they can restore themselves to prosperity, once they can trade in their own heavily devalued currencies. But he has always believed that if, alternatively, the southern Europeans attempt to cling on in the euro, the consequence will be an interminable crisis, with unending austerity imposing huge and perhaps uncontrollable social and political strains — riots on the streets.

Nothing has happened since 2011 to make my friend seem a foolish merchant of doom. On the contrary: we see seething, steaming popular rage in the Mediterranean countries growing rather than abating. What have the Cypriot people now got to look forward to, save the ruin of their economy along with their banking system, its principal engine? Who will ever trust money to a Cyprus bank again?

Any British tourist who has bought a cup of coffee in Italy, Greece or Spain in the past few years knows how fantastically high is those countries' cost of living. Yet they stagger blindly on, stubbornly seeking to pretend that they can play with the big boys, share a currency with mighty Germany. This masquerade may continue for years, with France joining the ranks of the economic basket-cases, because its government, too, rejects economic reality.

And even though Britain is not in the euro, what is happening has immense implications for us. As long as the European economies remain stagnant, conditions will remain tough here, because so much of our trade is with Europe. Moreover, the Cyprus precedent is as scary for people who live in Luton as for those who live in Limassol. Almost every Western society, including Britain, is burdened with debt it cannot ever realistically hope to pay off. There are only three ways in which governments can get off the hook: taxation, inflation and confiscation. The current Coalition is playing with only the first two of these.



Demonstration: Thousands of bank employees protest outside the Ministry of Finance in Cyprus last week

But Ed Miliband, Ed Balls and Nick Clegg are openly wedded to a mansion tax, which, if introduced, would be no more and no less an act of highway robbery than the Cypriot so-called 'haircut' on bank deposits.

Forget about whether your own house is currently under their radar — worth less than the £2 million value threshold they are publicly proposing. Having adopted the principle that it is morally acceptable to seize a proportion of citizens' assets, they are on the road to a Cypriot position; a Cypriot solution.

I have English friends who are neither hugely rich nor willing to do anything remotely illegal who are today thinking furiously about where they might put some of their assets, beyond the reach of a prospective Labour smash-and-grab.

We should not dismiss such people as nervous nellies.



Ed Miliband, Ed Balls and Nick Clegg are openly wedded to a mansion tax, which, if introduced, would be no more and no less an act of highway robbery than the Cypriot so-called 'haircut' on bank deposits

Miliband and Balls salivate at the prospect of resuming a socialist assault on capitalism where Old Labour left off back in 1979.

It cannot too often be said that the economic crisis that began in 2008 looks far more threatening to the historic interests of the West than anything Osama bin Laden contemplated in his dreams.

Germany still has a stubborn, visceral belief that the euro can be preserved in its present form, along with its own economic and political dominance of Europe.

Berlin's rulers seem willing to pay almost any price to achieve this, though we shall discover at the country's October elections whether their voters feel the same way.

The spectacle of the richest nation in Europe foreclosing on one of the smallest, looting the savings of thousands of people, is profoundly repugnant.

Surely the euro cannot long survive by such anti-democratic means. It certainly does not deserve to.