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Europe's bankers demand Maastricht—'or else'

by William Engdahl

Europe's top financial and banking elites, meeting at the annual World Economic Forum at Davos, Switzerland on Feb. 1-6, vowed to forge ahead with the European Union's Maastricht Treaty, which will create a unified currency and a supranational central bank, even if this means massive unemployment, savage cuts in the social welfare budget, and political explosions like those which rocked France at the end of 1995. The assembled central bankers and monetarists constitute the "globaloney faction" in European policymaking, intent on wiping out the sovereign nation-state and the productive industrial and agricultural economy of European nations.

The Davos meeting took place amid growing hostility to the planned creation of a single European reserve currency (the "Euro") by January 1999. Two governors of German states have spoken out against the plan, noting the devastating effects that it will have on German industry; and the Swiss daily *Neue Zürcher Zeitung* reported on Jan. 29, with reference to Maastricht, "The house of cards has started to collapse." But the Davos crew is committed to pursue their insane political agenda, and to run a steamroller over that opposition, if necessary.

Many Davos participants warned of the horrors that will allegedly ensue if Maastricht is *not* implemented. Belgian Prime Minister Jean-Luc Dehaene, a vigorous advocate of the European Monetary Union (EMU), told the audience of some 2,000—many of whom were heads of government or executives of Europe's largest multinationals, such as Daimler-Benz, Nestlé, ABB, and Siemens—"if we do not achieve European Monetary Union by 1999, the present internal market of the European Union won't hold together. The deadline of 1999 we must achieve for the introduction of the single currency, or we will never have it."

Dehaene was seconded by speaker after speaker. European Union Commission President Jacques Santer repeated his now-familiar litany that the monetary union was "irreversible; we are all committed to it. If we do not achieve it within the timetable set out in the Maastricht Treaty, there will be the risk that it would never be achieved at all. I do not know whether the internal market would survive such a blow."

These warnings were followed by similar statements from Bank of France Governor Jean-Claude Trichet and German Bundesbank President Hans Tietmeyer. Trichet, noting the recent protest strikes against Maastricht-dictated French government budget cuts (which have been called "Europe's Gingrich plan," because they slash services for the elderly and poor, to reduce budget deficits), defended the present austerity course, claiming that the single currency would "be good for Europe." Trichet stressed, "There exists now a universal consensus among European governments that public deficits are no real solution." The Bank of France governor, who reportedly has his eye on becoming the first head of the to-be-created European Central Bank, said, "Lax fiscal and monetary policy by governments works only, if at all, in the very short term. But it is like a drug; it won't cure the underlying problems. The French Social Security reform is a start, but we have far more to do." Last autumn the French government of Alain Juppé announced draconian cuts in public pensions and health care as part of a plan to slash the deficit in the Social Security fund in half by next year, in order to meet the Maastricht Treaty's required deficit reduction.

In response to a question from this reporter on what policy would be if Maastricht were delayed, Trichet retorted, "With or without Maastricht, our policy would be the same. We have

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no choice but to converge on lower debt and deficit levels in Europe. It is what you might call a holy obligation."

Tietmeyer's watchdogs

Trichet's hard-line comments were echoed by Europe's most powerful central banker, Bundesbank President Tietmeyer. Commenting on the growing accusations that the strict economic "convergence criteria" of the 1991 Maastricht Treaty were a prime cause for the soaring unemployment levels across the EU countries, now above a record 18 million jobless, Tietmeyer insisted: "The European unemployment problem is structural. Is there a panacea? No. An immense effort is required, including lifting the present impediments to a flexible labor market, eliminating rigidities of the present wage structure, reforming the welfare State."

Translating Tietmeyer's remarks from central bank doublespeak, he was arguing that fiscal austerity and a tight anti-inflation central bank policy, which have dominated Europe in the past three years, are not to blame; rather, European workers and their unions must give up hard-won concessions and allow "flexible wage structures," i.e., reduction of real wages. People must be pushed off unemployment into work, even at menial jobs, and the social security and pension benefits must be drastically reduced.

To underscore the point, Tietmeyer added: "1996 will be the key year, but I can tell you the EU *will* make the effort to meet Maastricht criteria, and convergence *will* remain on the agenda. *Anglo-Saxon economies have understood the problem and undertaken the adjustment. Continental countries cannot escape making such intensive adjustment.*"

He added that a new factor will enforce discipline: "Financial markets' role as watchdogs to discipline excesses of government spending will grow. Countries will be controlled by these new, global financial markets."

The German government just two days later announced an official unemployment rate for January of 4.2 million, or 10.8%, the highest since the end of the war. But despite several reductions in Bundesbank interest rate levels in recent weeks, making funds cheaper for banks to borrow, the funds have gone into stock market speculation, rather than into long-term investment in domestic German industry and equipment.

Cartellieri: 'a banker's view'

By far the most forceful insistence on the Maastricht agenda for Europe was delivered by Ulrich Cartellieri, a member of the management committee of Germany's largest bank, Deutsche Bank. Cartellieri, who is responsible for the bank's policy on monetary issues and reportedly is a major influence on the Bonn government policy for Maastricht, said: "We have nearly 20 million unemployed in the EU; efforts by Brussels [EU headquarters] at harmonization of industry and labor norms have been a disaster to date. First, we need harmonization in the area of currencies. If the European Monetary Union comes, it will become the motor. A powerful structure will emerge, of importance far beyond financial markets."

Cartellieri insisted that there will have to be a Stage I of EMU, "with the deutschemark bloc countries [Germany, Holland, Belgium, Luxembourg, and Austria] plus France and maybe one or two others in 1999, a maximum total of six or eight. European banks will profit from the new Euro currency, despite the calculation that annually they will lose some 25 billion ECU [approximately $33 billion] in foreign exchange conversion fees. The larger currency zone will more than make up for the loss."

For the first time in the public debate on the EMU, Cartellieri hinted at what certain powerful European banks and financial circles find attractive in the idea of a supranational single currency in Europe. "The Euro," he concluded, "will be the second reserve currency in the world after the U.S. dollar. That will take the pressure off the mark, which today is too small a currency to compete globally." To counter growing skepticism about the social costs of the Euro, Cartellieri held out a horror scenario: "If Maastricht were to collapse, competitive devaluations, trade war, protectionism, renationalization of economic policy and deflation, if not depression would be a real threat." Why, he declined to explain.

'Globalization: the scissors crisis'

The discussion of Maastricht's prospects at Davos was held in the context of the forum's overriding theme, "Sustaining Globalization." By this was meant the recent trend of banks and financial firms to "globalize" their investment and speculation worldwide, in search of highest returns, as well as the tendency for multinationals in Europe, the United States, and Japan to "globalize" production from high-cost industrial countries into "cheap labor" areas.

Clearly for Cartellieri and company, Maastricht represents a way to have more power in the globalized financial markets of today and tomorrow. But under the savage austerity agenda of Maastricht, governments are cutting spending and increasing unemployment, at the same time that private companies are dumping tens of thousands of workers in order to become "globally competitive."

In the past three years alone, German industry has exported more than 300,000 high-skilled jobs abroad, according to industry association estimates. As one German critic of Maastricht, Frankfurt University Prof. Wilhelm Hankel, put it in an article in the German daily *Handelsblatt* on Feb. 15, the demand of the Maastricht Treaty for "permanent" fiscal austerity robs the State of one of its most important weapons to fight economic downturn—deficit spending for key projects. Instead, under Maastricht, "the State must now save and save again, this in the midst of recession, which all past bitter experience showed, not least the Brüning crisis of 1931-32, does not increase employment, but rather unemployment."

Clearly, under the present Maastricht deflation agenda of budget cuts and fiscal austerity, neither job security nor industrial development are on the horizon.