Putting a saw to the leg of one's chair

Opposition to the European Monetary Union is increasing, but the German government wants to push ahead with the project, as Rainer Apel reports.

U.S. Defense Secretary William S. Cohen brought the issue up in his Feb. 8 keynote to the 34th "Wehrkunde" conference on security policy in Munich, Germany. He said: "Europe has said it wanted to play a larger role in world affairs and in European security. . . . But with a larger security role comes the responsibility to put forth the resources and attention to do the job. But many in Europe seem distracted from this task, perhaps, in part, due to the focus on its pending monetary union, a process launched by the signing of the Maastricht Treaty six years ago today."

Cohen's remarks show that also Americans are getting worried about where the monetary union project of the Europeans will lead, and, indeed, there is cause for concern. What Cohen addressed, as putting restraints on Europe's defense industry, is also true for the civilian sector: Out of loyalty to the budgetary restrictions imposed by the Maastricht Treaty, the European Union governments are unwilling to put forward the resources for the revitalization of industrial investments, and for the creation of new jobs for the close to 20 million officially registered jobless in the 15-state union. The ever-rising jobless rates have undermined all government propaganda for the European Monetary Union, to an extent that more than 60% of all Germans are skeptical that the EMU, which the government wants to begin with the introduction of the single EU currency unit, the euro, in January 1999, will improve anything—if it will work at all.

More and more people are warning against a monetary union project that may exist on paper, but will fall apart in reality, the minute it is put into effect. These include neo-liberal economists who usually support the Bonn political establishment,

For example, an open letter by no fewer than 155 economic scientists from Germany was published on Feb. 9 in well-placed newspaper ads, including in the *Frankfurter Allgemeine* daily and the London *Financial Times*. The letter, even though it is written from a neo-liberal viewpoint, is a devastating assessment of the EMU project, as it is being stubbornly pursued by the German government.

Headed by professors Wim Koesters of Bochum, Manfred Neumann of Bonn, Renate Ohr of Hohenheim, and leading Mont Pelerin Society member Roland Vaubel of Mannheim, the economists state in their letter: "There is no alternative to European integration. . . . However, the euro is coming too early." The authors of the letter argue that the euro will not enter the stage as smoothly as planned, as public finances are now more rotten than ever before. "The consolidation of public budgets has made progress. Nevertheless, it has not advanced enough, especially in large countries like Italy, France, and Germany. The process of consolidation started too late and half-heartedly. In spite of an unusually low level of interest rates, hence reduced costs of debt service, and in spite of numerous examples of creative accounting, the core countries have not succeeded in reducing deficits markedly and sustainably below the 3% reference value. Moreover the average debt ratio of the member states has not come down since 1991, but has risen by 15 percentage points. As a result, it now exceeds the 60% reference value of the Maastricht Treaty by a large margin. This is contrary to the spirit of the treaty."

They conclude: "The current state of economic affairs is most unsuitable for starting monetary union. An orderly postponement for a couple of years—supplemented by conditions on further progress with respect to budgetary consolidation—has to be seriously considered as a political option. Postponement must not be seen as a political catastrophe"—i.e., not the kind of doomsday catastrophe which the government and its propagandists are painting on the wall, to calm down the critics.

The 155 names under the open letter indicate that a broad revolt is under way against the government's economic policy, and this not only has effects on the campaign for election of the national parliament in Germany, and thereby, pro-EMU Chancellor Helmut Kohl's chances of re-election, in September. As the government chose to respond to the growing criticism of its policy with stonewalling and defamation tactics, what has been a revolt so far, could turn into a revolutionary movement for an entirely new economic policy. The economic situation in Germany, its jobless figures, its corporate bankruptcies, the tax revenue base, and the budget situation, are all worsening. Germans are getting fed up not just with this particular government, but with the way politics in general has worked in recent years—including the role played by the

Social Democratic opposition, which supports the EMU as much as the Chancellor does.

Legal challenge to Maastricht

The letter of the 155 economists, which has received much (though not always positive) comment in the media, comes less than four weeks after an even more important initiative to stop the EMU. On Jan. 12, a legal initiative was presented to Germany's constitutional court in Karlsruhe, by four prominent professors, Wilhelm Noelling, Wilhelm Hankel, Albrecht Schachtschneider, and Joachim Starbatty. Their case is based on well-founded charges that at least four important articles of the Constitution of Germany are violated by the EMU and its envisioned transfer of sovereignty: Article 14 (guarantee of property), Articles 20 and 28 (guarantee of the social welfare system), and Article 38 (sovereign, democratic rule).

In interviews with the press on Jan. 13, two of the initiators, Noelling and Hankel, both of whom are former members of the German central bank council, explained why they chose to take the government to court. Noelling told the daily *Sächsische Zeitung:* "We think that the future currency will not be a stable one. What is behind this, naturally, is concern about the future of the EU as an economic zone. In the EU, economic growth has not been satisfactory for a long time, now. This is true still today. The jobless figures have massively increased, and the same is going on with the state debt." Hankel told the daily *Tagesspiegel* that what motivated them to launch this legal case, is concern that "probably the most important article of the German Constitution, Article 38, which means that no German government can have a mandate to govern against the nation," is violated by the government's EMU policy. Hankel also referred to Articles 14 and 20, which define Germany as a social welfare state, as being undermined by the clauses of the Maastricht Treaty which would ban sovereign economic initiatives on the part of the 15 EU member states, to fight mass unemployment and corporate collapse. The EMU, in its present design, is a script for deepening economic depression and grand-scale expropriation of social rights and savings, Hankel and Noelling argued.

While the promoters of the EMU and the 1999 timetable are arguing that the monetary union and its single currency, the euro, would bring "stability," the four plaintiffs argue that the result will be quite the contrary. The official optimism of the government, the four plaintiffs argue in their 330-page document for the court, "has not taken into account, that the growth rates for 1998 and beyond will have to be lowered, significantly, because of the financial crisis in Asia." The plaintiffs refer to the Asian crisis, and the fact that frightened investors do not chose the German mark, nor the future euro, as a safe-haven currency, but prefer the U.S. dollar; in their view, this indicates that the EMU will not be a stable monetary zone, nor will the euro instantly turn into a world reserve currency.

While the German mark has in the past been one of the world reserve currencies, beside the dollar, and has come close to occupying 20% of global currency transactions, the ecu, the precursor to the euro that is already being used as a parallel currency unit inside the EU, never has been able to account for more than 2% of global transactions. Therefore, to conclude that the euro would be accepted by the global financial markets at a rate 10 times higher than the unfortunate ecu, and that it would reach the 20% that the German mark has been able to reach, is a dangerous delusion, the plaintiffs argue. If, however, the international financial markets reject the euro, as a currency reflecting the weak economic situation of the EU, the world market value of the new currency would be low, and would constantly require market interventions by the future European Central Bank. This vicious cycle, Noelling has explained in interviews, would force the EU taxpayers to constantly inject tens of billions of dollars, to keep the world market value of the euro stable. Having to defend the EMU against speculators like George Soros, by central bank interventions and drastic increases of interest rates, the EU countries could end up like Indonesia or South Korea, watching their currencies and national economies plunge into nowhere. Europe would not be "the most important financial center of the world," as the German government argues, but rather it would turn into one of the financial crisis hotspots of the world.

Future prospects

Now, the scenarios portrayed by the four plaintiffs before the constitutional court, and by the 155 economists as well, are all based on the assumption that the world financial system as such will continue to exist, and that tensions inside the system, among the Americans, Asians, and Europeans, will increase. And, what is also important, neither the four plaintiffs, nor the 155 signers of the open letter, have presented a convincing, well-conceived design for an economic alternative to the EMU. It is a revolt, a movement for pulling the emergency brake against the EMU, but not yet a movement for a sound alternative.

If, however, the financial and monetary system collapses during the next weeks or months, the EMU project is even more monstrous and off-the-mark. The EMU comes along with a system of brutal budgetary and credit restrictions, with penalties for those member governments and regions that fail to meet the austerity standards. As incapable as the EU is of fighting the economic depression today, the less will the EMU and its euro be able to lead Europeans out of a full-scale disaster. All the instruments in the arsenal of classic national economics are banned under the EMU Maastricht regulations. A Europe of the EMU would, therefore, be like a big hole cut into the hull of the *Titanic,* making it sink even faster.

Now, cynics—of whom there are quite a few, among the experts here in Europe—argue, "Let them go ahead with their EMU; it will be blown apart by the economic realities, sooner or later, anyway." Those who feel more responsible for the future of Europe, however, can only work to prevent the EMU from going into effect, and to replace it with a better design for European economic, financial, and monetary cooperation. Concerned Europeans must study the proposals of the LaRouche movement, such as the Eurasian Land-Bridge program, for a program of economic reconstruction financed by banks that operate with anti-monetarist methods of issuing productive credit. An alternative to the EMU begins with the restoration of economic sovereignty of each of the 15 EU member states, with the priorities placed on the creation of well-paid jobs and the protection of the industrial base and the social welfare systems. An alternate design begins with capital market controls and penalties against speculators and short-term transactions, and with incentives for productive, and long-term credit programs. These are some of the main components of the economic revolution, which has to liberate Europe from monetarism, now. As more and more Europeans are beginning to lose their loyalty to this monetarist system, there is, for the first time in the postwar period, a good chance that such an economic revolution can succeed.

Legalized gambling spreads its tentacles

by John Hoefle

In 1996, some $586.5 billion in legal wagers was placed in casinos, racetracks, off-track betting parlors, video poker machines, state lotteries, bingo games, and charity events, up from $550 billion in 1995 and $483 billion in 1994, as legalized gambling continued its assault on the American population. The revenue of companies in the gambling business—or "gaming industry," as this parasite prefers to call itself—rose to $47.6 billion in 1996, up from $44.4 billion in 1995.

Were the revenues of the gambling companies lumped together as "U.S. Gambling, Inc.," the company "would rank 11th in the 1996 *Forbes* Sales 500 behind AT&T ($52.18 billion) and ahead of Texaco ($44.6 billion)," according to *International Gaming and Wagering Business,* a gambling trade publication which publishes the yearly survey of the gambling business from which the above figures were taken.

The United States has seen an explosion of legalized gambling over the last decade or so. Today, all states except Utah and Hawaii allow some form of legalized gambling, with casinos, riverboats, and the aptly named "cruises to nowhere" popping up all over the country. According to Harrah's 1997 *Survey of Casino Entertainment,* 176 million people visited U.S. casinos in 1996, including at least one member of 32% of all U.S. households.

Propaganda barrage

Paving the way for the spread of gambling has been a full-scale propaganda barrage designed to hide gambling's role as a major money-laundering arm of the British Empire's international narcotics cartel, which *EIR* has dubbed Dope, Inc. Modern corporate gambling has its roots in the money-laundering operations set up by the chairman of the board of organized crime, Meyer Lansky, and continued with funding from the dirty-money operations of Drexel Burnham Lambert's Michael Milken.

To hide this unsavory reality, the gambling racket has attempted to transform itself into the "gaming industry," and take a place in the pantheon right next to mom, apple pie, and Chevrolet. Las Vegas has restyled itself as a family vacation resort, the "Orlando of the West," only safer and cleaner.

Leading this propaganda campaign is the American Gaming Association (AGA), whose board and membership roster includes some of the largest financial institutions in the country, including Merrill Lynch, Goldman Sachs, Bear Stearns,