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all, the SPD party executive has been flooded with initiatives from various sections of the party, calling for a reversal of the budget-balancing austerity policy of the Schröder government. All of this is to be debated at the special party convention in Berlin on Dec. 7-9.

Budget-balancing is an 'evil'

Budget-balancing at the expense of labor and retired citizens is appropriately being identified as an "evil" that has penetrated the SPD ever since Blair's "Third Way" has been courted by leading Social Democrats. This is certain to create some turbulence at the SPD party convention in Berlin. The environment for a break of the SPD with Blair's "New Labour" has been set, also because French Prime Minister Jospin will be the honored foreign socialist to address the convention. What would have earlier appeared as routine, because Blair has addressed the SPD before, is viewed this time as a factional gesture against Blair's policies.

The Jospin intervention in Berlin has been prepared by Schröder personally, not only because he officially invited him during their talks in Paris on Nov. 30, but because the Chancellor also prepared it in his speech to the French National Assembly that same day—becoming the first Chancellor of Germany to address France's parliament. Schröder identified France and Germany as the main political and cultural engine of European development; he spoke about close cooperation between the two nations in the field of aerospace technologies, and he explicitly endorsed Jospin's notion of the social welfare state. In earlier remarks to the press, Schröder commented on the British government's refusal to sign European Union legislation to tax of capital gains. The Chancellor warned that a situation in which important legislation that has the support of 14 of the EU member governments, is blocked by the veto of just one member government—the British—cannot be tolerated.

The response of the City of London bankers to this development has been a speculative drive to lower the single EU currency, the euro, even further, to near parity with the dollar, and concerted attacks on German banks especially. This strategy is short-sighted and will backfire against London, however, because undermining the euro will raise questions about the general course of EU policies.

The view is gaining ground in France and Germany, and also in Italy, that the Maastricht criteria for balanced budgets in the member-states of the European Monetary Union are becoming more and more of an obstacle to national economic incentives for production and jobs. Arguments for a change of the EU guidelines on the national budgets have recently become more popular on the European continent, and in addition, Chancellor Schröder has mentioned plans for an EU legislative initiative to ban hostile takeovers that threaten to eliminate jobs in industry.

Anglophiles, with their arsenal of neo-liberal arguments, are having a hard time these days.

Falling euro reveals bankrupt policy

by William Engdahl

Europe's nascent supranational currency, the euro, far from rebounding to new highs, as many European economists were predicting only two months ago, has dropped to its all-time low. On Dec. 2, the euro traded at 1.001 to the U.S. dollar, just above the parity level, representing a 15% fall for the new currency, created on Jan. 3, 1999 by the 11 founding countries of the European Monetary Union (EMU). On Dec. 3, the euro fell below parity.

"If the euro fails to stage a significant recovery by mid-December, there could be a devastating new round of euro selling soon," warned George Andersen, a European bank economist who had just returned from talks with U.S. investment fund managers. "Mid-December is the time when most American investment funds—pension funds, mutual funds, insurance companies—sit down and plan their new investment portfolio allocations for the coming year. If they see the euro ending its first year so weak, as a failure, they will decide to significantly cut back on investments in stocks and bonds inside the Euroland countries. This could then turn into a major crisis of confidence for the euro by early 2000."

Already, mutual recriminations are erupting behind the facade of Euroland unity. In a press conference on Dec. 2, the European Central Bank president, Dutch socialist Wim Duisenberg, blamed German Chancellor Gerhard Schröder, in effect, for the euro's weakness. Duisenberg claimed that the German government rescue of the Holtzmann AG construction firm from bankruptcy in late November, drove foreign investors away from the euro.

Far from the Holtzmann rescue, however, the fundamental cause of the euro's poor performance in its first year, is the continuing weakness of the 11 EMU members' economies, especially those of Italy and Germany. "Growth in Germany and Italy has been far weaker than markets had expected," said London economist Stephen Lewis. "In terms of the question whether the euro has been a failure, if we ask what benefit has a single monetary policy been to the diverse 11 member-countries of Euroland, then I would answer that their economies would have done far better without the euro, and hence, by that criterion, I would deem the euro a failure. Yet the euro won't collapse anytime soon, simply because the political will at the highest levels in Euroland to hold on to it is so strong. This means, unfortunately, that the economies of Europe are doomed to suffer for years to come as a result of the euro."

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Lewis added that Germany and Italy are facing a growing demographic crisis, which will create enormous fiscal problems for the two largest Euroland economies. "In order to keep to the Maastricht ceilings on public budget deficits and public debt, the foundation for creating the euro, both Italian and German governments must impose an increasing degree of public austerity and spending cuts. In both Italy and Germany, the ratio of pensioned population to gainfully employed, peaks by 2005-06. This means political instability, and perhaps, worse, is a pre-programmed part of holding to the euro."

The fall of the euro against the Japanese yen has been even more dramatic. While the euro has lost some 15% against the dollar since January 1999, it has lost nearly 35% against the yen. "The euro-yen rate is the driving force on global foreign exchange markets, though euro-dollar and dollar-yen are the rates everyone speaks of," Lewis said. "The yen is now at extremely uncomfortable levels, both versus the euro and also the dollar." The Bank of Japan has spent a reported $10 billion of its foreign exchange reserves in a vain attempt to hold the yen stable, hoping to prevent further devastation of Japan's fragile export-led "recovery."

The fundamental issue is why the governments of Europe still cling to a synthetic currency which represents surrender of one of the most essential aspects of national sovereignty—the power of a nation to determine its own money policies, and to create its own currency.

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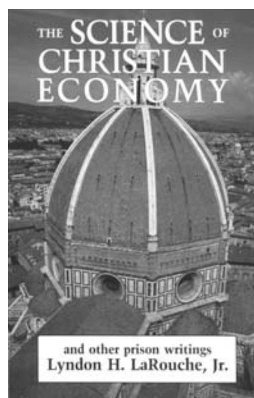

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Colombia verges on widespread starvation

by Javier Almario

The figures are alarming. In the poorest sectors of Colombia, classified as levels one and two, food consumption fell 48% in the first nine months of 1999. The immediate reason for this collapse is the decline in income of the majority of Colombians, due to increased unemployment and the generalized bankruptcy of the economy caused by the globalist prescriptions imposed by the International Monetary Fund (IMF) over the past nine years.

In these strata, meat consumption has been practically eliminated. Official statistics show that in the past two years, national meat consumption has fallen 17%—7% in 1998 and 10% in the first months of 1999. Meat has been replaced in part by egg consumption. If the government does not sharply reverse the IMF policy, it is virtually certain that the new millennium will usher in widespread starvation.

Unemployment, according to DANE, the official government statistics agency, is 21% in the seven largest cities of Colombia; it has not been quantified in the countryside. Moreover, companies are currently laying off their workforces en masse and then rehiring them, but at half their original wages.

The crisis has its roots in the reforms that were applied by the César Gaviria government in 1991, when imports were deregulated, exchange controls eliminated, and regulatory norms reduced on bank and foreign investment. In this environment, money from the drug trade flowed more easily, and penetrated all corners of the economy. Contraband of merchandise, one of the factors that provoked the crisis of the industrial sector, is one of the most common means used by the drug traffickers to launder money.

For nearly two consecutive years, the central bank kept interest rates high, as a means of preventing the peso from devaluing, a decision which was made on the basis of IMF formulas. This policy, zealously adhered to by Roberto Junguito, at the time a member of the central bank's board of directors, and now with the IMF, effectively bankrupted industry and agriculture.

Industrial paralysis today is so serious that electrical energy consumption in the industrial and commercial sectors fell 50% between September 1998 and September 1999. Industrial orders fell 63% in the first nine months of 1999. During this period, retail sales fell 10%; gasoline consumption fell 10.6%. This last was a consequence in part of a 48% increase in gasoline prices during the same period, resulting from an IMF demand to allow the domestic price of gasoline