German Government Agrees To Put Schacht's Policy Into Constitution

by Helga Zepp-LaRouche

Mrs. Zepp-LaRouche is the chairwoman of the Civil Rights Solidarity Movement (BüSo) in Germany. Her statement of Jan. 18 was translated from German, and subheads added. The full title is "Hjalmar Schacht's Policy Is To Be Incorporated Into the Constitution! The Population Has the Right to Resist it!"

As the Dow Jones and the *Financial Times* of Germany reported on Jan. 18, the Federal government and the coalition parties of Germany have agreed to incorporate the provisions of the European Union's Stability Pact into the German Constitution [*Grundgesetz*, or Basic Law—ed.]. If that occurs, the federation and the states would be obligated in the future to submit and to enact balanced budgets.

If the Grand Coalition government actually wants to transfer the debt ban of the Maastricht Treaty to the Constitution, then this poses a serious constitutional problem, with which the citizens had better concern themselves, before it is too late. For with this political straitjacket, the government coalition wants to incorporate the completely incompetent politico-economic austerity corset of the Maastricht Treaty into the Constitution, which would be yet another step towards the complete self-disempowerment of the government, after its abandonment of currency sovereignty.

Indeed, the EU Stability Pact directly prohibits governments from making available state lines of credit for the stimulation of production in times of crisis. It therefore specifically prohibits a solution to economic and financial crises, according to the model of Roosevelt's New Deal or as the Lautenbach Plan or the so-called WTB (Woitinsky, Tarnow, and Bade) Plan of the General Federation of German Trade Unions (ADGB), provided in the 1930s.

In the face of the systemic crisis which has dramatically intensified over the last six months, the acute national banking crisis in Germany, the global breakdown crisis of the financial system, and the immediate threat to all social systems as a consequence thereof, such a "transfer" into the Constitution is the most mistaken, dumbest thing conceivable. For, as Dr. Wilhelm Lautenbach observed correctly in 1931, in a depression, combined with a world financial and currency crisis, budget-cutting (i.e., a balanced budget) is the most absurd thing of all, because it propels the spiral of collapse ever downward, into a bottomless pit.

The serious constitutional question that this "transfer" thus forcefully raises, lies in the fact that the logic of the Stability Pact represents a direct threat to Article 20 of the Constitution, which states that "the Federal Republic of Germany is a democratic and social federal state." Application of the criteria of the Stability Pact would mean, for the federation and the Federal states under current conditions of a global breakdown crisis, that Germany could no longer be a social state. Instead, the instruments would be developed, with which the living standards of the population could be reduced by 10, 20, 30, 40, or 50%. And that is precisely the conception of the international financial oligarchy for how they want to solve the crisis: with austerity in the tradition of [Hitler's Economics Minister] Hjalmar Schacht.

However, the same Article 20 in Paragraph 4 reads as follows: "All Germans have the right to resist against anyone who attempts to eliminate this system, if no other relief is possible." And precisely in this paragraph lies not only the legal basis for resistance to the plans of the coalition government, but also the starting point for possible complaints of unconstitutionality, before the Constitutional Court at Karlsruhe.

Suppression of Reality

But unfortunately, this intention of the government demonstrates that it is light-years away from facing up to the reality of the systemic collapse. To what extent this is simply ignorance of economics, or whether other motives are to be found for their demonstrated incompetence, remains, for the moment, to be seen. While for six months, the daily horror reports about the worldwide systemic collapse have followed in rapid succession, the finance ministers of Germany, France, Great Britain, and Italy, and an EU Commissioner, indulged in a further orgy of suppression of reality on Jan. 17, in their meeting in Paris.

The French Economics Ministry in Bercy stressed that this was not a crisis meeting, but only had to do with the transparency of so-called structured products, and with the role of the banking supervisory authorities and rating agencies. Beforehand, when French Prime Minister François Fillon on Jan. 13 proposed a dialogue on the level of the heads of state of the Eurozone on economic policy, the deputy spokesman for the Chancellor's Office, Thomas Steg, initially stressed that Berlin was open to this idea. But Chancellor Angela Merkel on the following day said that she did not see the necessity for it, because the economic policy of the European

German Federal Govenment/Steffen Kugler

Chancellor Angela Merkel wants to amend the German Constitution to require balanced budgets on the state and national level: a recipe for Schachtian austerity.

Central Bank [ECB] is in good hands (!); yet a meeting of the four heads of state, whose finance ministers had previously met in Paris, is now occurring. As the *Financial Times Deutschland* observed, these were the same four states which, at the Financial Stability Forum, had requested a report for Feb. 8 for the G7 Meeting in Tokyo. But apparently they did not want to, or could not, wait for it.

Since with Mrs. Merkel there will be no "state orgy of re-regulation of hedge funds," as she said at the New Year's reception of the Bundesbank in 2007, no limit was placed on the mega-speculators either. But that all this greed for gain has an impact in the real world, becomes clear in another context. Already over a dozen German cities, including Ravensburg, Hagen, Pforzheim, and Wuerzburg, have brought a suit against Deutsche Bank, because they had been "falsely advised" in the purchase of so-called interest rate swaps. The accusation against Deutsche Bank is, that it had deliberately withheld information about the risk of these securities, which, however, had been well known in-house. Together, these cities had suffered losses of over a few million euros. According to the *Süddeutsche Zeitung*, in Germany up to 200 cities and communities have engaged in similar speculation, and therefore a total loss of around 1 billion euros is said to have occurred. Naturally, here also the taxpayer is the loser, if lawsuits for damages should fail.

The plaintiffs' attorney, Klaus Nieding, spoke to *Handelsblatt* about "capital swindlers," against whom investors are not sufficiently protected. Similar accusations are being made in several U.S. states against Deutsche Bank and diverse special-purpose vehicles, to the effect that, with fraudulent intent, they had not told investors about the risks of investing in the subprime market. As a matter of fact, it is hard to comprehend why it should not have been clear to financial experts at the banks and financial institutions, that the massive awarding of mortgages with adjustable interest rates to debtors with low creditworthiness had to lead directly to the bursting of the mortgage bubble, which has been the trigger for the global financial crash.

When the crisis broke out at the end of July 2007, Jochen Sanio of the BaFin [Germany's financial watchdog agency] observed that this was the worst banking crisis in Germany since 1931. In the meantime, every person knowledgeable about the situation had to be clear, that what is involved is a very profound crisis, due directly to the cluster of risks of globalization, from "creative financial instruments" to the cultural paradigm-shift over the past 40 years, and the destruction of productive capital connected with it. This is to be compared, if anything, to the collapse of the European banking system in the 14th Century. Nonetheless, Sanio's statement was useful, because it brought to mind, that in Germany, 1933 [Hitler's takeover] came very soon after 1931. And while in Europe, fascist "solutions" to the world economic and financial crisis were chosen—with Mussolni, Franco, Hitler, and Hjalmar Schacht, as well as Pétain—in the U.S.A., on the other hand, Franklin D. Roosevelt demonstrated that it was possible to lead the economy out of the Depression with the New Deal.

Suspend the Stability Pact

And here lies the actual devastating effect of the coalition government's plans to transfer the criteria of the EU Stability Pact into the German Constitution. For, under current conditions of systemic financial collapse, a "balanced budget" means, in practice, the prescription of Schachtian austerity. The people who in the 1930s did not know that a rejection of the plans of Lautenbach, Woitinsky, Tarnow, and Bade would very rapidly give rise to Hitler, can still be credited with the fact that there was still no precedent for Hitler. Today, this obviously is no longer the case.

What is urgently necessary today, is not the transfer of the Stability Pact into the Constitution, but on the contrary, the suspension of the Stability Pact, because of the massive breakdown of economic equilibrium. If it is proven that an international treaty violates the fundamental interests of one or several of its signers, then it is absolutely permitted under international law, to withdraw from such a treaty. Minimally, what should occur is suspension of this treaty, until the breakdown of the economic equilibrium is remedied; and then the sense, or absurdity, of the treaty can be reconsidered, in an atmosphere of tranquility.

In any event, the authors of the Constitution wrote Article 20, and in particular Paragraph 4, into the Constitution, so that precisely what the coalition government has in mind would be rendered impossible. It is high time that all organizations and institutions to which Article 20 is important, remember their right to resistance.