Reject New Versailles Debt Dictatorship for Europe

by Helga Zepp-LaRouche

June 29—If Chancellor Angela Merkel's capitulation today at the European Union Summit stands, with her agreement that the European Stability Mechanism (ESM) will undertake the direct recapitalization of European banks in the future, and that Italy and Spain—and soon other states—can lay a claim to additional EU funds, this will prove to be a fatal mistake for all European civilization. Given the condition of the trans-Atlantic banking system, this means nothing less than a new Versailles Treaty, in which Germany is forced to pay for the debts of foreign banks and speculators. The result threatens quickly to become the same as in 1923: hyperinflation—this time not just in one country, but throughout Europe and the United States.

As recently as June 27, Merkel had uttered the memorable phrase that there would be no "joint debt liability" for "as long as I live." So what happened? How did this 180° reversal occur? Why has Merkel let Italian Prime Minister Mario Monti and Spanish Prime Minister Mariano Rajoy put this over on her, when immediately beforehand she had been expressing skepticism about the so-called master plan of the four EU presidents, Van Rompuy, Barroso, Draghi, and Juncker, precisely because it provided for sharing of the debt liability?

Monti and Rajoy had recognized the Achilles' heel of Merkel's position. Given the serious constitutional complaints pending at the German Constitutional Court in Karlsruhe against the ESM and the Fiscal Pact, Merkel wanted to have these adopted in the Bundestag with a two-thirds majority; i.e., with the help of the Social Democratic Party (SPD) and the Greens, for which the SPD demanded in return, in consultation with French President François Hollande, the so-called "growth package" of EU120 billion which Merkel had initially opposed. Monti and Rajoy then threatened to veto this growth package, and thereby sabotage the potential two-thirds Bundestag majority. Hollande conveniently discovered his sympathy for Spain and Italy, and thus increased the pressure on Merkel.

This is even more suspicious given that this pressure comes at the most inopportune moment; and the circumstances under which Merkel agreed to the de facto sharing of the debts by another order of magnitude, must be urgently clarified, because the existence of all Europe is at stake.

A Dangerous Bluff

In the preceding days, former French President Nicolas Sarkozy's former advisor Alain Minc, in an interview with the French newspaper *Les Echos*, recommended that Hollande use the same tactic against

Germany that François Mitterrand did at the time of German reunification, when the latter forced Germany to abandon the deutschmark and accept the introduction of the euro as the price for reunification. Mitterrand's former advisor Jacques Attali wrote in his biography of Mitterrand, that Mitterrand had even threatened Chancellor Helmut Kohl with war if Kohl refused.

Aside from the fact that this was obviously an absurd bluff, Kohl spoke repeatedly of the European Currency Union as a question of war and peace in Europe. Hollande, like Sarkozy before him, is insisting on a collectivization of European debts because the French banks are exposed to huge amounts of debt in the Mediterranean states. German voters and taxpayers have every right in the world to be informed about these background matters.

swiss-image.ch/Moritz Hager

Angela Merkel's caving in to the demands of the pro-bailout mafia will prove fatal for Europe, unless she breaks with the Euro-gang and joins the growing number of European leaders who are moving for Glass-Steagall.

Prior to the summit, Hollande was called by President Obama, who had already repeatedly demanded that the crisis in the Euro countries had to be solved according to the stipulations of the EU, the ECB, and the IMF, because Obama obviously feared that a further escalation of the situation would further reduce the chances of his re-election.

This is also the reason why U.S. Treasury Secretary Tim Geithner and Fed Chairman Ben Bernanke—who bears the nickname "Helicopter Ben"[1] because he wants to throw bank notes out of helicopters in case of a systemic crisis—according to Members of the U.S. Congress, have demanded that Congressmen prepare emergency legislation to adopt an additional mega-bailout package, which must be even larger this time than the liquidity pumped into the markets after the 2008 Lehman Brothers failure—which knowledgeable officials have estimated to be between $17 and 25 trillion. This newly printed money is then, with the help of the swap agreements between the Fed and the ECB, also supposed to be made available to the sick European banks. Since it is expected that the crisis will dramatically worsen, new legislation with new powers is supposed to be ready in advance, since the extent of the crisis would demand an immediate, extraordinary intervention "to save the system."

The Crisis Was Programmed

A June 26 article by Greg Palast in the London *Guardian* helps us to better understand the situation: "The idea that the euro has failed shows a dangerous naivete. The euro is exactly what its inventor [Robert Mundell—HZL] and the wealthiest 1% who supported him foresaw and intended." Mundell, the inventor of the "single currency space" and theoretical father of the euro, emphasized to Palast in a personal conversation that the euro would really only fulfill its purpose if the crisis hit. If government control of the currency were abolished, annoying little popular representatives would no longer have the ability to use financial resources to pull their country out of recession. Mundell told him that with the euro, "financial policy will be removed out of the reach of the politicians."

And without fiscal policy, nations can only maintain employment if they give up regulating the markets and thereby become "competitive." Workers' rights, environmental laws, and taxes—these would all be swept away by the euro, and states would have no other choice than to abolish all state regulations, privatize state industries, reduce taxes, and consign the European social state to the trashbin.

1. In 2002, Bernanke referred to a statement made by Milton Friedman about using a "helicopter drop" of money into the economy to fight deflation.

This is precisely the intention of the financial institutions, which is usually expressed by the synonym globalization, and which can be thanked for the fact that the governments of the G-20 countries for five years now (!), since the outbreak of the U.S. real estate crisis in July 2007, have done absolutely nothing to regulate the banking sector. On the contrary, the governments are driven by "the markets," and do everything to meet their demands, as we see with the SPD and the Greens in Germany.

After this year's Bilderberg conference in Virginia (May 31-June 3), in which the participation of former Environment Minister Jürgen Trittin (Green party) was significant, Deutsche Bank CEO Josef Ackermann gave out the line, in a presentation to the Atlantic Council, that only when the panic reaches a fever pitch, will political leaders agree to the entire package desired by the banks. Precisely this threat was built up by the media and politicians in the days before the EU summit. Monti spoke of a threatened apocalypse, George Soros of an imminent crash.

swiss-image.ch/Monika Flückiger

Deutsche Bank CEO Josef Ackermann admitted that only when the panic reaches a fever pitch, will political leaders agree to the entire package demanded by the banks.

These financial interests, to which the politicians obviously are enslaved, have already gone very far with a coup d'état against the German Basic Law and the national constitutions. The Karlsruhe Federal Constitutional Court is, aside from the known Euroskeptics, the last authority which still defends the Basic Law. One can only hope that it decides on the pending constitutional complaints in all our interests, in the sense of Article 20 of the Basic Law.[2]

One thing is certain: If the ESM and the Fiscal Pact, as well as the collectivization of debts, go through, and Europe thus becomes a transfer union, then, and only then, will the peace of Europe threaten to break apart. Already the populations of Europe are divided by deeper animosities than has been the case since 1945. The image of Germany is already blackened and the most unfortunate associations have been evoked. In the case of a hyperinflationary explosion in which the life savings of the populations in all countries are destroyed, all of Europe will be plunged into unimaginable social chaos and misery. The consequences will be irreparable.

There Is a Way Out!

The EU Treaties from Maastricht to Lisbon must be annulled; national sovereignty over currency and economic policy must be taken back again; and in the process, Germany must leave the Eurozone and introduce the new D-mark. A two-tier banking system, in the tradition of Franklin Roosevelt's Glass-Steagall Act must be introduced, to end the casino economy once and for all. Fixed exchange rates must put an end to currency speculation. A new credit system, in the tradition of the Kreditanstalt für Wiederaufbau (KfW) of the post-1945 reconstruction, must make credit available for the real economy. The "Development Program for a New Economic Miracle in Southern Europe, the Mediterranean and Africa,"[3] which we have published, must be immediately undertaken.

The political leaders must remember that their conduct will be judged by history. They must pose the question to themselves now, whether they are committing treason against their own people. There is no maneuvering room: If Chancellor Merkel's capitulation stands, we will not have "more Europe"; rather, Europe will disappear.

Helga Zepp-LaRouche is the chairwoman of the Civil Rights Solidarity Movement.

2. Article 20 states in part: "All state authority is derived from the people.... All Germans shall have the right to resist any person seeking to abolish this constitutional order, if no other remedy is available."

3. See *EIR*, June 8, 2012 .