European Populations Hope for U.S. Help to End Euro Tyranny

by Claudio Celani

Jan. 29—As Italian Member of the European Parliament, Marco Zanni, told *EIR* in an exclusive interview (see below), the populations of Europe are looking with hope to the new U.S. Administration, as a potential ally in their fight for freedom from the tyrannical Euro system.

As Mr. Zanni explains, the Euro is going to be finished, at the latest, after this year's round of general elections in key European countries—such as France, Germany, and possibly Italy—which might bring an anti-Euro majority to the European Council. However, the Euro might implode even before that—for instance, if the European Central Bank (ECB) is forced to suspend its Quantitative Easing (QE) policy, or the so-called "Italian banking crisis" gets out of control, or a major zombie bank goes bust—or a combination of all three.

Although the ECB confirmed its monetary expansion policy at its last board meeting in January, growing inflation figures might make it impossible for ECB chairman Mario Draghi to continue keeping zombie banks afloat, and might force him to "taper" away from zero interest rates and "Quantitative Easing" (QE) asset purchases on the open market. Pressure is increasing from Germany for the ECB to stop its QE program if inflation rises close to the 2% "target."

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European Central Bank in Frankfurt, Germany.

Not only has Draghi's zero interest-rate policy almost destroyed traditional banking in Germany—forcing depositors to choose between losing money or investing in high-risk assets—but half of the one trillion euro of the ECB Assets Purchase Program (APP) has gone to support the City of London, as Draghi himself revealed in his letter to Zanni and Vanni (see interview).

The APP works in such a way that the ECB purchases a quota of sovereign, corporate, and asset-backed securities from banks, in order to provide those banks with liquidity. The ECB does not purchase the bonds directly, but does it through respective national central banks ("The Eurosystem"). Banks are immediately provided with liquidity by the ECB, and balances among national central banks (NCBs) are settled through the so-called "TARGET2" clearing system.

Draghi reported that "almost 80% of [the] bonds [were] purchased by national central banks, and roughly half of the purchases were from counterparties located outside the euro area, most of which mainly access the TARGET2 payments system via the Deutsche Bundesbank."

For further explanation, Draghi refers in his letter to a March 2016 ECB monthly report, which says: "Credit institutions domiciled out-

side the euro area participate in TARGET2 via a Eurosystem NCB [national central bank], not least in the case of major international banks operating in the City of London."

So far, the ECB has provided European banks with 1.4 trillion of liquidity through the APP. The program will continue at least throughout 2017, so that at the end of the year the banks will have received almost 2 trillion, which means that the City of London has received almost 1 trillion from the ECB!

At the same time, the ECB, the EU Commission and the German government have entered into a confrontation with Italy on the issue of the Italian banking crisis and on austerity. The Italian government is refusing to apply EU rules to "bail in" (confiscate) depositors and bondholders, and has demanded more budget flexibility in order to face two emergencies: refugees, and earthquake aid and reconstruction.

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Earthquake in central Italy in August 2016.

The ECB, the EU Commission, and the German government insist on implementing EU bail-in and budget rules. This became grotesque when, in the middle of earlier earthquake and bad weather damage in central Italy in mid-January, the EU Commission rejected the Italian budget plan and demanded a "correction" of 3.4 billion euro.

It has become more than evident that a continued membership in the Euro system is an obstacle to the life of the Italian population and to Italy's survival as a functioning nation.

Italian Catastrophe

A poll published by *Eurispes* Jan. 27, says that the incomes of 43% of Italians don't last to the end of the month. EU-imposed austerity has forced Italian families to reduce consumption, which the report highlights as follows: 38% have reduced their medical expenses; 70.9% meals at restaurants; 68.6% travel and holidays; and 62% hairdressers. One of every ten young persons or couples cannot afford to rent housing, and go back to live with their parents or their in-laws.

Italy's budget constraints under EU law make it impossible to reverse an economic stagnation that became a depression after 2011, and is now making it impossible even to deal with the earthquake emergency.

Since August 2016, the earthquakes have never stopped in central Italy. The last shocks occurred Jan. 18—four shocks of over 5.0 within two hours. This latest quake occurred in the midst of a snowstorm which had hit central and southern Italy, creating serious problems both for the quake-affected population and for the nation in general. One of the shocks unleashed a major avalanche which struck a hotel under Mount Gran Sasso (2,914 m), killing twenty-nine.

The the snowstorm collapsed electrical lines in the Abruzzo region, initially leaving 300,000 persons without power. Electricity has since been slowly restored, but not to all villages. The snowstorm has isolated many villages in the Apennines, and is especially endangering cattle herds in the earthquake areas, threatened both by the cold and the lack of water.

In this situation, the EU insistence that Italy cut its budget further—when it should instead increase it in

order to face the new emergencies—has been extremely provocative, and is feeding the already-overwhelming anti-EU sentiment. Exemplary was the Jan. 18 op-ed by Antonio Cangini, editor of *La Nazione* and *Il Resto del Carlino*, a national daily read especially in central Italy. Cangini wrote that the post-Glass-Steagall era is over, but the EU has failed to recognize it—and should be buried.

With Brexit and the election of Donald Trump in the U.S.A., "a global historic phase is being closed." Cangini continued:

> A chaotic as well as dramatic phase, which has brought us two poisoned fruits: the economic crisis and the European crisis. For the former, we must thank the United States. In order to avoid a repetition of the 1929 crisis, President Roosevelt had the sacred Glass-Steagall Act enacted in 1933, separating investment banks from commercial banks. Bill Clinton repealed it in 1999, opening the way to globalization, and, less than a decade later, to the implosion of the U.S. financial system, full of toxic and non-performing assets. . . .
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> To save the banks, attention was shifted to the sovereign debt of states, beginning the suffering of southern and Catholic European countries. No systemic correction has been implemented since, just palliative measures such as the Dodd-Frank bill in 2010. Whatever judgment one may have on Trump's victory, it represents a shift, a radical correction of route. Instead, no shift is on the horizon in old Europe, where the route is still the same.

The EU is dead and its "corpse is beginning to stink—and holding its funeral might be the only way to start life again. The only problem: there is no gravedigger around to do it," Cangini wrote.

Cangini correctly focusses on the repeal of Glass-Steagall in the U.S.A., but he forgets that the repeal of similar banking separation systems in Italy, and in all European countries, was imposed by EU Treaties.

A Bank of Italy official did recall this, however, in a hearing before the joint Finance Committee of the Italian Chamber and the Senate, on Jan. 17. Answering a question from Deputy Alessio Villarosa (M5S), on whether the old bank-separation system would have prevented the current Italian banking crisis, the Bank of Italy's head of supervision, Carmelo Barbagallo, answered that the old system of bank separation was ended by EU guidelines—but he let it be understood that he favors the old system. "What Deputy Villarosa said on the 1936 Banking Act is very interesting," Barbagallo said. The old system "was changed in order to implement a European guideline. Separation between banks and industries, long- and short-term [credit], and banks of public interest are not European concepts. Already in the mid-'80s they were not European concepts. If Italy is a member of the EU. . . one can have a different personal view, but this is a fact."

So re-introducing a Glass-Steagall-like system separating commercial banks from speculative banks, is incompatible with membership in the Euro. Even defensive measures such as the Italian government decision to protect bondholders in the bail-out of Monte dei Paschi di Siena bank, which goes against EU rules, and to allocate a 20 billion fund to prevent insolvency, won't work.

Worse, they are seen by the population as a favor to bankers. The most widespread slogan at a demonstration of earthquake victims Jan. 25, in front of the national Parliament, was: "The government finds 20 billions for the banks, but not for us!" Indeed, not only is emergency housing not going up on schedule, but very little has been done to protect the cattle which are now dying in the cold wave.

Many in Italy compare the current failures with the approach adopted after the L'Aquila earthquake of 2009, when 5,600 quake-proof apartments were built in 100 days, and families were able to move in before winter struck. This was done through a military-style mobilization under a centralized Civil Protection Department (CDD) with emergency powers.

The difference between then and now is called former Prime Minister Mario Monti. Monti, the EU butcher, cut the budget of the CDD and deprived it of powers in 2011-12. Now, the CDD head no longer has sufficient emergency powers to bypass bureaucracy and get done what's necessary in a short time.

The social and political climate is explosive and will become more so as long as Italy stays in the Euro, a climate ready to fill the sails of the anti-Euro parties in the next general elections, which might come as early as next summer.