

EUROZONE ON THE BRINK

## Governments Avoid Solution, Lash Out Against Each Other

by Helga Zepp-LaRouche

Oct. 21—All efforts to keep the imploding trans-Atlantic financial system alive somehow, by a combination of printing money, fascist austerity measures, colonization of the states in deficit, and flagrant violation of the law, are not only doomed to failure, but also threaten to plunge Western civilization into catastrophe in the near term, and to destroy the entire social fabric of our European nations and America. There is only one way to prevent collapse into Hell: the immediate introduction of a two-tier banking system—on the model of the former U.S. Glass-Steagall system—as the indispensable first step of a whole packet of measures. But it must be *done*, not just talked about or commissions set up to look into the idea.

A public controversy has broken out between French President Nicolas Sarkozy and German Chancellor Angela Merkel, over whether the European Financial Stability Facility (EFSF) should have the full status of a bank, and, through “leveraging,” become a perpetual motion machine of wonderful money-multiplication, or should it “only,” as an insurance institution, guarantee 20 or 30% of new sovereign loans, a sort of money-printing machine with a tight hand-brake. This clash, plus the unprecedented series of deferred summit meetings and cancelled government declarations, tell an unmistakable story: The Euro-system is totally and irrevocably finished!

France is afraid that without EFSF funds, and with the 50% “haircut” that the German government wants for Greece and other nations that are in crisis, French banks will face a dramatic downgrading, and this will

undoubtedly cause a chain reaction. In Germany, on the other hand, memories of the hyperinflation of 1923 are part of the national memory: a time when the life savings of the population were brutally expropriated.

Meanwhile, it has also finally dawned on a number of economists that leveraging an EFSF with the status of a bank would be a bottomless pit, and Germany would have to pay the lion’s share of bailout funds, since it is the largest of the four countries in the Eurozone that have a trade surplus—and therefore Germany’s own debt would be driven up. This in turn would have dramatic consequences: hyperinflation, poverty, and social explosions.

### Political Fight in Germany

Some sections of the governing German Christian Democratic Union/Christian Social Union (CDU/CSU) and the Free Democratic Party (FDP) are now insisting on the right not only of the parliamentary budget committee, but of the whole Bundestag, to have a say in what is going on—as reconfirmed at the beginning of September by the Federal Constitutional Court. They are making an effort, as hopeless as it is politically impotent, to somehow defend German interests within a collapsing system.

Others in these parties, and especially in the opposition Social Democratic Party (SPD) and the Greens, see the intensification of the crisis as a welcome excuse to accede even more sovereignty to the EU bureaucracy in Brussels, and thus to blatantly violate the interests of



EU

*French President Nicolas Sarkozy and German Chancellor Angela Merkel in Brussels, Belgium, June 23, 2011. Their discussions are becoming more acrimonious as the crisis in Europe deepens.*

the German people by handing over their fate to an oligarchic dictatorship, which is loyal only to the financial sector and their own privileges. Finance Minister Wolfgang Schäuble is one of these people, with his proposal for a European fiscal union.

As usual, however, it is the Greens who win first prize for their sophisticated mass brainwashing. Jürgen Trittin,<sup>1</sup> of all people, tried to drape Europe in a worn-out cloak of fine words about “democracy,” by calling for the participation of the entire Bundestag in the debate over the EFSE. The reality is that the former Red-Green [Social Democratic-Green] coalition government bears full responsibility for the deregulation of the financial system, which is responsible for the crisis, and it is now once again the Greens and the SPD that want to give up even the last shreds of sovereignty to the Brussels dictatorship.

To demand the introduction of a two-tier banking system, as SPD chairman Sigmar Gabriel is doing, at the same as calling for eurobonds or a unified European finance ministry, proves that the principle of Franklin Roosevelt’s Glass-Steagall Act is absolutely not understood. And if the Greens then to try to jump off the moving train by calling for a commission to investigate—by September 2012 (!)—whether a two-tier banking system would be the right thing to do, then their catastrophic denial of reality respecting the immediacy of the breakdown crisis surely cries out to Heaven.

1. Co-chair of the Green parliamentary caucus.

## A Europe of the Banks

The only honest thing for the established politicians to do would be to admit the complete bankruptcy of their own policies. Instead, French President Sarkozy was following in the footsteps of the man he has called his favorite politician, François Mitterrand, when he unequivocally accused Germany of destroying the euro, thus making it conceivable that conflict will break out on the continent again. What a farce and what a lie! It was precisely Mitterrand’s blackmail of Chancellor Helmut Kohl in 1989-90, demanding the euro as the price for German reunification, and threatening him with war and a new Triple Entente against Germany, that brought us the

disaster of the euro. All of this is reported by Jacques Attali in his biography of Mitterrand, among other places.

In their unbridled zeal to serve the interests of the financial gamblers and the banks, against the people, thereby piling up huge national debts, the proponents of the EU dictatorship obviously don’t give a hoot that they are destroying everything—the entire social fabric, social cohesion, the last vestige of people’s confidence in politicians, and, above all, the European idea.

Is this a Europe we really want, where the EU Commission under Horst Reichenbach sends hundreds of “experts” to Athens with executive powers, to take over the government—people who “speak Greek, but are not on the side of the Greeks”? This colonial policy leads to hatred, despair, and hopelessness. The chairman of the organization of small businesses in Greece, the GSEVEE, issued an urgent appeal to stop the brutal austerity policies that will only lead to “further closures, unemployment, poverty, higher deficits, and even more debt.” The head of the GSEE trade union federation charged the deputies of the ruling party, before the vote on the new austerity package: “If you have even a spark of humanity, decency, pride, and a Greek soul, you must reject this bill.” They obviously did not listen to him, since they voted for the measures that are driving the country further into ruin.

This brutal austerity not only costs lives; it can only be enforced with fascist methods. We now know from the U.S. Congress that the unconstitutional “Super Congress” has actually been given the task of cutting

\$6-7 trillion (!) over the next few years, most of it from social spending. This would result with 100% certainty in the shortening of the lives of many people and an increase in the death rate. A group of 16 Congressmen around Rep. Maxine Waters (D-Calif.) responded immediately to this outrageous prospect with a bill calling for rescinding the “Super Congress.”

Given the outrageous events that are taking place in the trans-Atlantic area, where even the semblance of democratic rules of the game, the parliamentary process, or compliance with national constitutions are being trampled underfoot, we should be on the highest alert. Even the former chief economist of the European Central Bank, Otmar Issing, warned recently in the business daily *Handelsblatt* that the current transfer of taxpayers’ money had no democratic legitimacy whatsoever. And when *Bild* newspaper announces “a very big catastrophe” and “fat inflation” because of the euro crisis, then even the least political person on Earth should wake up.

### There Is an Alternative

Notwithstanding all the contrary media propaganda, there is only one way out: We must immediately implement a two-tier banking system in the tradition of Franklin D. Roosevelt’s Glass-Steagall Act, with the aid of which, starting in 1933, he was able to bring the United States out of the Depression. Commercial banks and legitimate needs of the population must be placed under state protection, whereas toxic securities from the investment banks, hedge funds, etc., and the shadow banking sector must be canceled, because the attempt to maintain this virtual, speculative domain would only lead to short-term hyperinflation, thereby destroying the entire national wealth.

This first, essential step must immediately be followed by the creation of a credit system in the tradition of the American System of economics, as introduced by Alexander Hamilton, the first Treasury Secretary of the United States, and reaffirmed by Abraham Lincoln and Franklin D. Roosevelt, and as applied by the Kreditanstalt für Wiederaufbau (Reconstruction Finance Agency), among others, to



*Protesters in Athens, October 2011. The European Commission wants to send in 100 “experts” to impose the level of austerity that no democratically elected government could impose. Job qualification: “to speak Greek, but not be on the side of the Greeks.”*

finance the German economic miracle.

In the United States, there is growing support for H.R. 1489, the bill introduced into the House of Representatives by Rep. Marcy Kaptur (D-Ohio), which is co-sponsored by 48 Congressmen and supported by more than 200 national and regional organizations. If Glass-Steagall is introduced by the United States—and this could very happen very soon—this must be the signal for Europe to do the same thing.

In most European nations, a wide-ranging discussion about the two-tier banking system has also broken out, which is exclusively due to the efforts of the BüSo<sup>2</sup> and its sister organizations in these countries. What is needed now is not a mish-mash of a two-tier banking system combined with eurobonds, fiscal union, or a European economic government within the context of a hopelessly bankrupt system, but the BüSo’s full program.

This means: the two-tier banking system as a first step, a credit system in the tradition of Alexander Hamilton, fixed exchange rates, a New Bretton Woods system, national sovereignty over the currency in the form of a new D-Mark, and the expansion of the World Land-Bridge and other high-technology areas for reconstruction of the global economy.

2. The Civil Rights Solidarity Movement, of which the author is the national chair.