

## Financial Tsunami Ahead: About-Face Before It's Too Late!

by Helga Zepp LaRouche

*This article, which is being distributed in Germany as a leaflet by the BiiSo (Civil Rights Solidarity Movement), led by Helga Zepp-LaRouche, was translated from German.*

March 12—The victims of the worst earthquake that Japan has suffered in recorded history deserve our full sympathy. And yet, the powerful tsunami, which washed away whole cities, towns, cars, and trees, as if they were matchsticks, could be viewed as a warning of an even greater tsunami, which could wash away the world financial system and most of our civilization at any moment, if we do not immediately reverse the errors that brought us into the current world crisis.

Consider the unbridled gambling methods with which “investors” are again speculating in the derivatives markets, just as they did before the outbreak of the 2007 crisis. Look at how incorrigibly most members of the government are clinging to their political prejudices, and realize that they are turning out to be completely incapable of understanding the mass-strike process which is breaking out worldwide, which, from Tunisia to Egypt, Bahrain, and India, to Wisconsin, Greece, and Saxony, is gripping more and more regions of the world. The famous lines come to mind from the poem “All Is Vanity” (“*Es ist alles eitel*”), which Andreas Gryphius wrote in the face of the horror of the Thirty Years War:

You will see wherever you look only vanity on this  
Earth.  
What one man builds today, another tears down  
tomorrow;

Where now cities stand, a meadow will be. . . .  
What now blooms in magnificence, will soon be  
trod asunder;  
What today pounds with defiance, tomorrow is ash  
and bone; . . .  
Oh, what is all of this that we hold to be exquisite,  
But wicked vanity, but shadow, dust, and wind,  
But a meadow flower which one can find no more;  
Yet not a single man wants to contemplate what is  
eternal.<sup>1</sup>

Where have the last three and a half years of rescue packages for billions in gambling losses gotten us? Private debts from speculators and bankers, whose assets have long ago been exposed as being toxic waste, have been honored by willing governments with enormous sums of tax money. The liquidity created in this way was used again by the same gamblers for speculation, and drove raw materials and food prices into the stratosphere. This, in turn, was among the primary triggers of the uprisings in North Africa and other parts of the world, and threatens to bring hunger revolts in 80 countries, as the United Nations is warning.

### Crisis of the Eurozone

And the euro? What is the result of the rescue package for Greece and Ireland? What is the fruit of all the purchased toxic state bonds and collateralization for bank loans from the European Central Bank? The con-

1. Translation by Scott Horton, *Harper's Magazine*, August 2007.

ditions that the ECB, the IMF, and the EU Commission have tied to these packages, have driven these nations further into ruin, again threatening state bankruptcy. The German government has now given in to the EU's pressure for replenishing the European Financial Stability Facility (EFSF), and soon the European Financial Stability Mechanism (EFSM), and thereby agreed to bleed the German taxpayer still more.

The rating agencies have even downgraded Spain to an Aa2, and Greece to the junk level B1, and are already circling like vultures around fallen prey. The reason that ECB head Jean-Claude Trichet is so vehemently resisting a "haircut"—i.e., debt rescheduling for these states—naturally lies in the fact that it is by no means certain that the European banking system would survive this. Ever-expanding increase of the EFSF, on the other hand, is leading to hyperinflation, just as with the U.S. Federal Reserve, which is preparing new "rescue packages" at full tilt. Hyperinflation like that of 1923 in Weimar Germany is threatening, only this time on a world scale.

And since every German family knows in their bones what hyperinflation means—namely, the total destruction of their life savings—the German government has defended itself against this idea. Yet, obviously, it was not able to stand up to the enormous pressure from the EU and the IMF, which charged that Germany would be responsible for a "disorderly default," and ultimately a collapse of the Eurozone, if no further tax money were put at the banks' disposal.

Now, the president of the Constitutional Court in Karlsruhe, Andreas Vosskuhle, has delivered a highly interesting speech. He wanted to confront the prevalent opinion in the European Parliament and many EU states that the German high court is skeptical of European integration. The judges had found in the Maastricht Treaty decision of 1992, and the Lisbon Treaty decision of 2009, that the EU was only a coalition of nations, not a federal state; and in 1992, that the Currency Union was only constitutional so long as it provided durable security for the euro. It's precisely this that is no longer the case.

Vosskuhle further stressed the possibility, based on the country's Basic Law, that the Germans could change the Basic Law into a Constitution,<sup>2</sup> through a

2. The German Basic Law (*Grundgesetz*) took effect in 1949, as the constitution of West Germany, but it was not given the name *Verfassung*, or Constitution, so that the future creation of a constitution for a unified Germany would not be prejudiced. East Germany, under Communist rule, had its own constitution. When the country was reunified in 1990, the Basic Law continued in effect, with some changes. But the possibility of creating an actual constitution remains open.—ed.



EIRNS/James Rea

*Organizers for the BüSo, the movement headed by Helga Zepp-LaRouche, engage the public in Berlin on March 5. The sign opposes the government's new program requiring the use of ethanol fuel: "Bioethanol = Genocide. Repeal E10."*

referendum. With its rulings on the EU treaties, the Court only wanted to prevent competencies from being surreptitiously and without transparency transferred to the EU level. The five professors who filed suit in Karlsruhe against the EU's emergency rescue parachute, which had been adopted by the EU in May of last year, immediately emphasized their satisfaction in a press release, saying that Vosskuhle's declaration had confirmed that the euro rescue policy was the final step toward making the EU into a federal state, and thus, that the legitimacy of their constitutional complaint has been fully confirmed.

Thus, the options are reduced to two: Either Karlsruhe rules in the upcoming case, that Germany's participation in the rescue package violates the Basic Law, and then the government has no alternative but to withdraw its participation in the package—in that case, the euro would be finished, and a return to a sovereign cur-

rency, a new D-mark, would be possible and necessary. Or the Court concludes that participation is in conformity with the Basic Law, but, according to Article 146, the approval of the German population is required, through a referendum.

This means that the days of the euro are numbered. French President Nicolas Sarkozy, for this reason, held a closed meeting of members of the European Parliament on Nov. 14, 2007, to get them to swear to uphold the previous signing of the Lisbon Treaty, using the argument that a referendum would be dangerous, because referenda would lose in any country in which they were held. And for this very same reason, the members of the European Council had tried to practically whip the EU Treaty through the parliaments, without transparency and without open discussion.

## The Insane Green Paradigm

But now comes the hour of truth. A referendum on whether we in Germany really want to give up the rest of our sovereignty to a bureaucracy in Brussels that is non-transparent and not accountable to the voters, a bureaucracy which has served as the perfect bailiff for the financial oligarchy, would be an honorable solution. Citizens, long ago, had enough of absurd EU regulations that are ruining our industry and agriculture and which impose the green paradigm by decree, as if “from above.”

Herein lies the reason for the introduction of E-10 (ethanol), and with it, the squandering of arable land urgently needed for growing food, for the manufacture of biofuels—one of the many destructive EU regulations. Because, next to criminal speculation in food-stuffs, a major reason for the world’s growing hunger

## Italy’s Tremonti Cites Angelides Report on Crisis

March 11—Italian Economy Minister Giulio Tremonti was the guest on an hour-and-a-half primetime national TV talk show dedicated to the financial crisis. “The volume of derivatives has gone back what it was before the 2007 financial crisis. If one wants to have a minimally fair idea, read the report to Congress by the U.S. Commission, which says that a mass of threats is again imminent,” Tremonti said, referring to the Financial Crisis Inquiry Commission, chaired by Philip Angelides.

To discover the causes of what is going on today, we must go back at least 20 years, he said. Under a system when “states had sovereignty over currency,” the gap between the real economy and the financial economy was under control. Then, in 1989 and 1994, there were two shifts, with the fall of the Berlin Wall and the World Trade Organization (WTO) agreement in Marrakesh. As a result of financial globalization being rushed in, and of derivatives “bets,” the ratio of the volume of financial transactions to transactions in real goods reached 20:1.

“Inside this colossal financial mass, an ‘accident’ can occur, as it did in 2008.” The difference between the current crisis and the Great Depression is that “in the first crisis, citizens’ money was used to bail out

the citizens. This was the New Deal under Franklin Roosevelt. This time, citizens’ money has been used to bail out banks,” Tremonti pointed out.

“Sooner or later, someone will be made accountable before history and peoples,” he said, and repeated: “The court of history will judge the lunatics who rushed into globalization in this way. It should have been done in a slower and wiser way.”

If you want to know who did it, “look at a photo of the Third Way,” he continued. After the first “videogame monster,” i.e., the Lehman Brothers bankruptcy; the second “videogame” came to Europe in the form of the sovereign debt crisis, “as the Angelides Report shows.”

Tremonti again cited the Angelides Report to say that the Obama financial reform has not repaired anything. “The United States tried to introduce rules, but they failed. Read the report: They failed.”

The third monster is the revolts triggered by speculation on food and oil prices. Tremonti reminded his host that in 2008, when he had raised the issue at the international level, the IMF responded officially that speculation “does not exist.”

Not only does it exist, but now it has come back “in the most violent form, from the Atlantic to the Indian Ocean,” he said. “The other devastating factor is the excess of injustice.” When people, especially young people, see their lives are made impossible, in contrast with corruption and wealth in high places, they react. “There is no historical precedent for this, except maybe in the Middle Ages,” Tremonti said.

catastrophe is the equally criminal destruction of food-stuffs to produce ethanol.

If the Greens now assert that introducing E-10 was a mistake on the part of the government, and that *they* were always against biofuels, this is such an outrageous lie, that the Greens apparently assume that the whole population suffers from Alzheimer's. Who is responsible for the whole green paradigm that has burdened us with an irrational complex of subjects such as the purported limitation of resources, overpopulation, anthropogenic climate change, environmental green zones instead of infrastructure construction, price explosion thanks to inflationary licensing requirements, totally inefficient renewable energy sources, etc.? The votes and speeches of the Greens on biofuels in the European Parliament are clear: They were for biofuel.

We must realize, that over the last 40 years, we have found ourselves on a wrong course which involves the casino economy as well as the green paradigm. To return to Andreas Gryphius: "Not a single man wants to contemplate what is eternal." But it is exactly this, namely the eternal laws of the divine order of Creation, and, with it, the physical creation, which we must learn to research and understand more deeply. And these laws are subject neither to the God of Mammon, nor to Mother Gaia, but they are anti-entropic; that is, the universe is creative, it develops continually to higher and higher complexities.

### Onward to the Future!

If we want to be in a position, in a timely manner, to anticipate natural catastrophes such as earthquakes, tsunamis, volcanic eruptions, threatening meteor showers, climate change, etc., not to mention eventually to master them, then we must learn to better understand what happens in our universe. We must understand the long-range cycles of our galaxy, their impact on our Solar System, and their influence on the processes on Earth.

And then we will come to the conclusion, that humanity can only secure its long-term existence, if we take seriously the mandate of the Book of Genesis, and further the process of creation, as *imago viva dei*, as the in living image of God. And this means, above all, the ever deeper discovery of the laws of the universe. If we would consider "what is eternal," we will reach the next step in the development of mankind.

But for that, we still must face the fact that we immediately need a global two-tier banking system in the tradition of the Glass-Steagall standard of Franklin D.

Roosevelt. The toxic waste must be written off the books, and the commercial banks must be capitalized in a new credit system, with credit for the real economy. The reconstruction, not only of Japan, but of the entire world, must be launched according to the principles of physical economy.

And as far as the popular referendum on the rescue packages is concerned: We can be optimistic that sanity and reason will prevail!

## Bank of England Governor Sees New Crisis Coming

March 5—In an interview with the *Daily Telegraph*, the Governor of the Bank of England, Mervyn King, warns that the "too big to fail" and casino banking policy is making the next crisis inevitable.

"We allowed a [banking] system to build up which contained the seeds of its own destruction," and this has still not been remedied. "We've not yet solved the 'too big to fail' or, as I prefer to call it, the 'too important to fail' problem. The concept of being too important to fail should have no place in a market economy."

On the huge bonuses that the bankers continue to be paid, King blames the "too big to fail" model: "Why do banks in general want to pay bonuses? It's because they live in a 'too big to fail' world in which the state will bail them out on the downside." They are tempted to excessive risk and excessive payments: "Bankers were given incentives to behave the way they did. That's what needs to change. We must resolve this problem."

King believes, writes the *Telegraph*, that, "people have every right to be angry at the government and bankers because 'out of what seems to them a clear blue sky,' the crisis comes, they find they do lose their jobs and there's the sharpest fall in world trade since the 1930s. 'But, surprise, surprise, the institutions bailed out were those at the heart of the crisis. Hedge funds were allowed to fail, 3,000 of them have gone, but banks weren't.' Could there be a repeat? 'Yes! The problem is still there. The 'search for yield' goes on. Imbalances are beginning to grow again.'"