

A Big Move from Germany

While there is no question but that the crucial moves to *replace* the current bankrupt financial system, before its death spiral takes even more victims, must come from the United States—in the form of a revived Glass-Steagall, and the accompanying removal of British puppet Obama—other nations can play an extremely useful role in facilitating this development. Such is the nature of the recent moves among top circles in Germany.

On Aug. 23, the German media began to feature a section of the August monthly report from the Bundesbank, the German central bank, which has begun to shake the foundations of the global bailout policy on which the current bankrupt system depends. Of all people, leaders of the German banking establishment are in revolt.

The relevant section of the Bundesbank report begins with a clear criticism of the decisions of the July 21 European Union summit, decisions which called for the huge expansion of the European Financial Stability Facility as a bailout mechanism. These could “weaken the institutional framework of the European Monetary Union,” the report said—a mild way of saying that the measure actually violates the EU treaties.

The report then says that countries with these rescue packages would just feel free to take up more debt, and that, “This poses the danger that the tendency of EMU states to take on debts will increase, and that the common monetary policy will be exposed to greater pressure for slacker arrangements.” The report then warns, “The latest agreements mean that far-reaching extra risks will be shifted to those countries providing help, and to their taxpayers, and entail a large step towards a pooling of risks from particular EMU states with unsound public finances and economic aberrations.”

Then: “If no fundamental change of regime involving a far-reaching surrender of national fiscal sovereignty is to happen, it is imperative that the ‘no-bailout’ rule—still enshrined in the treaties—and the related disciplining by the markets, should not be completely gutted, but, to the contrary, be *strengthened* again” (emphasis added),

While uttered in central banker-speak, the Bundesbank message was not lost on its readers: It is declaring that the current bailouts violate the EU treaties. This message will have an immediate resonance among political layers who are already in an uproar over Chancellor Merkel’s agreement to fund unlimited bailouts, and threatening to deprive her of her parliamentary majority. Even more immediate is the impact the move will have on the legal challenge to the bailout process now pending before the German Constitutional Court.

The German high court heard arguments against the bailout policy—which turns the European Union into a de facto supranational government over Europe—in early July, and has now declared that it will issue its ruling on Sept. 7. At issue is the very sovereignty of the German state—and by implication, that of all the European nations. If the high court strikes down the government’s bailout policy, it will be virtually impossible for the Merkel government to ram through the further parliamentary approval it needs, in a vote now scheduled for late September.

Destroying the evil bailout policy, of course, is not a solution. A solution requires *dumping* the casino debt, and restarting the economy with a *credit system*, a move that requires Glass-Steagall in the U.S. That is a step the German bankers’ move begs for—without delay.