In Europe, the Secret Is Out: The Euro Will Not Survive

by Our Wiesbaden Bureau

Aug. 20—Lyndon and Helga LaRouche have said it from the beginning, but there's no ignoring it anymore: The breakup of the euro is now considered inevitable, even by those who swear publicly that the euro is "irreversible." Not only Finland, but the EU itself is reportedly working on a "Plan B." However, based on the reports from Brussels, Berlin, and London, the B stands for bullshit: It will not work!

Finnish Foreign Minister Erkki Tuomioja let the cat out of the bag, in a discussion with a *Daily Telegraph* correspondent published Aug. 16: "We have to face openly the possibility of a euro-break up." he said. "Our officials, like everybody else, and like every general staff, have some sort of operational plan for any eventuality." Eventually, he had to deny having said it.

Then, on Aug. 18, the *Süddeutsche Zeitung* leaked the information that EU governments' mooted Plan B contemplates an "orderly" exit of Greece from the Eurozone. According to the newspaper, no definite plan has been elaborated, because much depends on what the German Constitutional Court will rule on Sept. 12 on the constitutionality of the European Stability Mechanism (ESM), and on what the Troika (IMF/European Central Bank/European Commission) will say on Greece. If the latter does not recommend a further payment to Athens in September, Greece might be left with no other option than to return to the drachma.

So the Plan B being discussed by EU governments is aimed at "strengthening" what remains of the Eurozone. This would include expanding financial aid to Ireland and Portugal, extending ESM loans plus ECB support to Spain and Italy, and concrete steps towards a banking union and EU governance (translation: supranational dictatorship). The underlying paradigm is, according to *Süddeutsche Zeitung*, "the consideration that single measures undertaken so far have improved the situation, but they have not re-established the confidence of the citizens and the markets in the euro." In other words, they are recommending a continuation of the Heinrich Brüning austerity policy (1930-32), which is demolishing national economies and populations.

Under the same category falls the "Plan B" pushed by the London *Economist*, which published a cover story Aug. 11, dedicated to Chancellor Angela Merkel's "temptation" to amputate one part of the Eurozone in order to save the rest. The *Economist* argues that both a "small" amputation (Greece only) and a "bolder" one (Spain, Ireland, Portugal, and Cyprus) would, in the end, be more expensive for Germany than going all the way to a political union and "mutualization" of the Eurozone debt (meaning that all countries assume responsibility for the debt of each).

The main concern of the *Economist*, of course, is to rescue the the City of London paper empire, which would be mortally wounded by a break-up of the euro, or even a partial debt cancellation.

Any Plan B that does not contemplate a Glass-Steagall standard, to protect productive categories of debt and to dump the rest, is not going to work. Any Plan B that is aimed at rescuing the euro rather than national economies is an insane proposition.

'Merkel System' Under Attack in CDU

As the disintegration of the Eurozone accelerates in spite of the bank bailouts, Chancellor Merkel is under increasing attack from within her own party, the Christian Democratic Union (CDU) The thrust of the criticism from the conservatives is her "totalitarian" way of governing, as concerns Europe.

One prominent critic is Gertrud Höhler, an advisor to former Chancellor Helmut Kohl, and consultant for a number of industrial companies, whose book calling Merkel the "godmother" will hit the bookstores at the end of August. In the Aug. 3 *Frankfurter Allgemeine Zeitung*, Höhler charged the Chancellor and her "System M" with "establishing a soft variant of authoritarian power," otherwise not known in Germany. While the "political style" is different from the "20th Century dictatorships," Höhler sees certain echoes of them, including marginalization of the parties, "nonchalance in dealing with Parliament, with Constitutional guarantees, laws and ethical standards."

The same point was made by political author Stephan Hebel on DLF radio Aug. 14, where he attacked the "Chancellor's strategy" towards the euro, which involves "testing the constancy of the Constitutional Court" and "the flexibility of the Constitution." In his view, "Merkel does not say it as bluntly as does Italian Prime Minister Mario Monti, but she also relies more on executive freedom and less on the rights of the Parliament."

In the same vein, Josef Schlarmann, chairman of the influential CDU association for small and medium-sized enterprises, has been denouncing Merkel for neutralizing any serious political challenger inside the party, and with suppressing programmatic debate. He even likened the CDU to a "Tsar's court" where "Merkel has her *Strelitsen* (riflemen)" (Aug. 16 *Süddeutsche Zeitung*). Schlarmann is convinced that the CDU will lose the next national elections because of Merkel's refusal to allow dissent.

Four conservative CDU members of the Bundestag, Wolfgang Bosbach, Norbert Geis, Thomas Dörflinger, and Thomas Bareiss, are speaking out against Merkel, as are the chairmen of the CDU groups in two state parliaments, Christean Wagner of Hesse and Saskia Ludwig of Brandenburg.

More Calls for Bank Separation

The implications of the failure of the euro—without an alternative national-sovereignty-based financial system being put in place—are dramatic. The whole trans-Atlantic system, already on the brink, can be expected to explode, as Barack Obama and Tim Geithner well know. Responsibility, in fact, lies with the United States to protect against the disaster, beginning with re-implementation of Glass-Steagall banking separation.

It is not at all clear that the euro crisis, which has been "put on hold" until the German Constitutional Court ruling Sept. 12, can hold out for that long. The Greeks repeatedly make it clear they cannot pay, and Spain is a political powderkeg, ready to explode Sept. 1. The lack of solvency in the major European banks is such that any default can pull the plug—but the hyperinflationary emission of a massive amount of new euros can also wreak havoc with the system as a whole.

The situation becomes increasingly ripe for Europe to adopt a policy of banking separation, especially in the wake of action in the U.S. We report below on the moves in Iceland (see *Interview* with Icelandic MP), and there is legislation pending in the Italian Parliament, despite apparent political paralysis there. A top section of the British financier oligarchy has declared for Glass-Steagall, and finally, as we reported in part last week, there is increasingly vocal discussion for Glass-Steagall in German institutions.

Another endorsement of a Glass-Steagall-type separation came last week from Bernd Scheifele, the CEO of the Heidelberg Cement firm, one of the top 30 firms of the Frankfurt DAX. He told the *Süddeutsche Zeitung* in an interview published Aug. 16: "We need a system of banking separation as it existed in the USA in former times. Normal banking business and investment banking should not be done together. Banks must not become too big." Moreover, "As a citizen of this country," Scheifele added, "I insist that this be implemented fast." The state, he said, "must guarantee that the savings of the citizens are protected, and that firms are sufficiently supplied with credit." Banks should shoulder losses on their own, rather than rely on taxpayer money to help them out, he added.