Now for a Europe of Sovereign Republics!

by Helga Zepp-LaRouche

There is much howling and gnashing of teeth in banking circles these days. They're completely at loggerheads over how to steer a course between the Scylla of unchecked inflation, and the Charybdis of the world economy careening into a deep depression. Suddenly, there's been a great hue and cry—even though the hyperinflationary surge has been obvious since last September, while, already, back on July 25, 2007, Lyndon LaRouche announced at his webcast forum, that the world's financial system had already collapsed, and that now we can only watch how the various effects of the collapse play out on the surface of events.

The price of oil is now over $140 a barrel, with some analysts forecasting that it will soon climb to $170, $200, or even $300, while official inflation in Europe, even after being doctored down, is now almost 4%, and is expected to climb to 5.5% in August. There are now increasing indications, that sometime in July, the European Central Bank (ECB) will raise its minimum interest rate from 4% to 4.25%, because, among other things, public opinion has now hardened into the conviction that the Europe is not only a "Teuro,"[1] but that unlike the old hard deutschemark, the new currency is as soft as cotton candy. A parade of economists, such as Albert Edwards, chief strategist at Société Générale, warn that the ECB is making a grave mistake, and that by attempting to counter inflation by raising interest rates, it is simply pulling the economy more deeply into the abyss.

Contrary to the well-known proverb,[2] the crows are now beginning to peck each others' eyes out, and the U.S. Federal Reserve is fast becoming the favorite punching bag of frustrated bankers. Barclays Capital has sent its clients a report warning of a worldwide financial storm, blaming the Fed for inflation, and stating that the Fed has lost all credibility. David Woo, the bank's foreign exchange expert, accuses the Fed of having exported inflation to some 45 other countries which have tied their currencies to the dollar. And it is indeed a fact, that the lion's share of the blame for inflation, goes to the Fed's and other central banks' decision to use repeated injections of liquidity in order to prevent private investment banks and other "creative financial institutions," with their multi-trillion-dollar "structured investment vehicles," from going under. Because the liquidity didn't just go into a piggybank; it continues to circulate, pumping up the monetary house of cards. Or, as the ECB's chairman answered, when asked to what degree speculation is responsible for the price of oil: "Portfolios," he said, have moved "in the direction of commodities."

The dispute over which of the two problems—rampant inflation or so-called stagflation—is the more serious one to be addressed, is a waste of time, and simply demonstrates how blockheaded these neoliberal ideologues are. Because the fact is, we have been in a hyperinflationary process for some time now—a process which will explode, in a very short time, with the bursting of more financial bubbles, and tsunami-strength financial storms.

Ireland's 'No' Vote

It was against this background that Ireland voted "No" in its referendum on the new EU Treaty. The Irish population was certainly not cognizant of the full dimensions of the systemic crisis, but they were acutely aware of the ill effects of

1. *Teuer* = expensive.

2. German proverb: "Crows don't peck out one another's eyes."

EIRNS/John Morton

Dublin during the run-up to the June 12 referendum, in which the Irish resoundingly defeated the supranational Lisbon Treaty (the vote was 53.4% to 46.6%). Alone among EU member countries, Ireland's Constitution requires a referendum for any treaty which would abrogate national sovereignty.

the EU's neoliberal policies on their own country's industries and farms. The advocates of the Treaty claim that the Irish were ungrateful, since so many had profited from EU membership. But not only does Ireland have a bursting real-estate bubble: Household indebtedness has climbed to 176% of its Gross Domestic Product, and it is being hit equally hard by the general credit crunch and the collapse of the dollar and the pound sterling. Ireland's farmers reacted especially strongly against the threat of completely unregulated free trade, which the EU's negotiations with the World Trade Organization seem to be heading toward.

Contrary to German Chancellor Angela Merkel and French President Nicolas Sarkozy, who are acting as if reality does not exist, insisting that the process of ratifying the Lisbon Treaty continue: One of the City of London's more conservative mouthpieces, Ambrose Evans-Pritchard, notes that the attempt to impose a "super-state" onto the nations of Europe has now ended in failure. In the *Telegraph* he wrote: "The attempt to override the triple 'No' votes of the French, Dutch, and Irish peoples has brought the EU to a systemic crisis of legitimacy. A line too many has been crossed. Any sentient citizen can see that the process has become unhinged. While 'Europe' blunders on as if nothing has happened, it is now an open question whether the Lisbon Treaty—née Constitution—will ever come into force, whether the EU will ever acquire the machinery of an economic, diplomatic, and military power, and whether the euro will ever have a polity to back it up. Henceforth, Brussels will struggle to retain powers already amassed. Functions will flow back to the nation states, the proper venue for authentic democracy."

Now, you might not be a friend Ambrose Evans-Pritchard, but when he's right, he's right. Further on, he cites warnings from Germany's central bank, the Bundesbank, that European monetary union will eventually buckle without the cement of political union—i.e., without an EU treasury, a unified wage system, and a common debt and pensions pool. And now the elites will have to face the great euro storm of 2008 to 2009 with the limited tools they have. We are reminded of the "Ibycus principle" set forth in Schiller's famous poem "The Cranes of Ibycus": There is a higher power which "secretly watches over and judges us," which has miraculous ways of exacting retribution for injustice; and the evildoers, just when they think themselves safe, are overtaken by the Erinyes.

Thatcher's Nemesis

Let us recall the circumstances under which Germany was forced to accept European monetary union. The Berlin Wall came down in November 1989, and then-Chancellor Helmut Kohl issued his Ten-Point Program, which called for close cooperation between the two confederated states of Germany, leading toward federation. British Prime Minister Margaret Thatcher thereupon launched her "Fourth Reich" slander campaign against Germany, while French President François Mitterrand threatened that France would only agree to reunification, if Germany renounced the deutschemark and agreed to the earlier anticipated monetary union. Mitterrand advisor Jacques Attali wrote later, in a biography of his boss, that Mitterrand had even threatened Kohl with war and a revival of the Triple Entente, in the event that Germany refused to comply. Two days later, one of Kohl's closest advisors, Alfred Herrhausen, was assassinated. Kohl later described the pressure coming down on him at the EU summit meeting in Strasbourg in early December, to give up the deutschemark, as his life's darkest hour.

It was clear at the time to anyone with economic sense, that this monetary union could not function without European political unity to back it up. Because as a separate, forced measure, it would not serve as a catalyst for European unity, but instead would permit the various states' divers interests to erupt all the more starkly. And that is precisely what will become clear now in the coming "great euro storm," in the context of worldwide hyperinflationary explosion.

And so, the attempt by Europe's heads of state to conduct a quasi-stealth operation to trick Europe's nations into ac-

EIRNS/James Rea

The Civil Rights Movement Solidarity (BüSo), the German political party headed by Helga Zepp-LaRouche, organizes in Dresden. The banner reads: "After Ireland's 'No' to the EU Treaty, Now Cancel All EU Treaties!" The BüSo's candidate for mayor, Marcus Kührt, is at the microphone.

cepting the European Constitution in the guise of the Lisbon Treaty—even after the Constitution had already been rejected by France and the Netherlands—has now boomeranged on its instigators. Despite the fact that former German President Roman Herzog had said that the EU Treaty would abolish parliamentary democracy, there was not one single report about the effort to push it through in the entire German media. But with the Irish "No" vote, the EU Treaty is, in keeping with its own provisions, nothing but waste-paper, as Czech President Vaclav Klaus put it so aptly.

Back to Pre-Maastricht Europe

In a recent speech, Vaclav Klaus also called upon Europe to return to the forms of cooperation used prior to the adoption of the Maastricht Treaty. This is an eminently reasonable idea, given that the ECB does not consider itself to be the *lender of last resort*, and therefore, national governments, if deprived of sovereignty over their own currencies, have no instrumentality to shield their populations from the effects of the financial storms which are already raging, and which promise to become stronger still. By the same token, the provisions of the EU's Stability and Growth Pact are a corset forbidding governments from making the explicitly state interventions which would be necessary to conquer the now-erupting hyperinflation and depression.

The oft-cited thesis that Europe needs the EU Treaty, and that Europe must therefore be transformed into an oligarchical dictatorship in order to maintain "its role in the world," is utter poppycock. A neoliberal, militarized super-state, which purports to be able to weather the depression by massively reducing its citizens' living standards: that sounds a lot like the strange teachings of Professor Unsinn.[3] Hello, Hjalmar Schacht!

The more quickly Europe's various states can cancel the EU treaties—something which they are absolutely entitled to do according to international law, because the treaties contravene their existential interests—the more quickly they can act in the tradition of Franklin D. Roosevelt's New Deal, of Dr. Wilhelm Lautenbach, and of the 1931 Woytinsky-Tarnow-Baade Plan of the German Trade Union Confederation (ADGB), setting into motion the necessary stimulus programs for getting the productive economy moving again, and attaining full productive employment. There is nothing preventing Europe's nations from then acting jointly as sovereign states, as a Europe of the Fatherlands, to address international tasks, such as cooperation in constructing the Eurasian Land-Bridge and its extension into Africa. You don't need a bureaucracy in Brussels to do that—but you do need economists, engineers, and specialists, who don't need to know anything about structured investment vehicles, but who *do* need to know a lot about physical economy.

At the upcoming Group of Eight summit meeting in Japan, Russia's President Dmitri Medvedev will present the intention to establish a ruble zone in the Commonwealth of Independent States. The developing countries' camp will raise their demand that the G-8 countries should decide to do something effective to halt the hunger catastrophe. All summit participants will be measured by the solutions they present. And already on the table, are LaRouche's proposals for a New Bretton Woods system, as a true way out of the crisis.

---

3. Pun on Hans-Werner Sinn, head of Germany's IFO Institute for Economic Research, Munich University. *Unsinn* is the German word for "nonsense." See Helga Zepp-LaRouche, "Lie-Masters Invent New Fairy-Tale," *EIR*, Feb. 1, 2008, http://www.larouchepub.com/hzl/2008/3505rogue_trader_tale.html.