A Future for Europe, And for Europeans

by Rainer Apel

The latest statements by German Chancellor Angela Merkel and Foreign Minister Frank-Walter Steinmeier, including that after the Irish "No," the rest of the European Union should simply proceed with the ratification of the Lisbon Treaty, shows a dangerous alienation from reality. The Lisbon Treaty has been destroyed: Not only was it unambiguously rejected in Ireland (which, according to the EU's unanimity clause, means the Treaty is "out"), but also the Presidents of Poland and the Czech Republic last week reiterated that they no longer see any sense in signing the document, and thereby finishing the process begun by the ratification by Parliament.

In Germany itself, a new situation has emerged, since Federal President Horst Köhler last week made it clear that he would not sign the treaty until the Constitutional Court rules on the legal cases against the treaty that are now before it. In Austria, the Socialists have changed sides and are demanding that for future European decisions, the people of the EU countries should be consulted.

Instead of chasing after the chimera of the Lisbon Treaty, European politicians should solve concrete problems; and these are great challenges, as, for example, the continuing protests by truck drivers in many EU countries show. The failure of the EU, and especially of the European Central Bank (ECB), to act against the sharp rise in crude oil prices caused by speculation, brings with it the danger that the European economy, already hard hit by the outbreak of the systemic banking crisis a year ago, is absolutely destroyed. Truck drivers, fishermen, farmers, and other groups are threatened with ruin by the price of diesel fuel, while airline companies confront formidable problems, and the price of kerosene is almost 20% higher than at the end of 2007.

During the demonstration of 1,000 truck drivers in London on July 2, Andy Boyle, the chairman of the trade association RHA, said: "The hard reality is that raw materials prices are driving many transportation businesses under. It is therefore absolutely vital that the government not only listen to us, but also urgently do something. For all those who are here today, be they lorry drivers or parliamentary deputies, doing nothing is no longer a solution."

ECB Policy: Hogwash and Madness

Oil prices are driving the inflation of prices of other goods, for example steel, and with the rise of the crude steel price by 50% in the last 12 months, the entire steel-working industry is suffering. Although the reasons for the problem are generally known—namely, the actions of market speculators in driving up prices—there are still absurd attempts by politicians and bankers to deny these causes.

When Italian central bank head Mario Draghi made similar statements at a parliamentary hearing in Rome, Finance Minister Giulio Tremonti said sarcastically that the whole thing reminds him of Don Ferrante, a character in Alessandro Manzoni's well-known novel *The Betrothed.* Ferrante talked so long about whether the plague [in Milan in 1630] was serious or a fluke, that he himself died from it.

In this situation, for the ECB to pretend that it is doing something against "inflation," by raising the prime interest rate in Europe, is just hogwash, since this will do absolutely nothing against the oil price rise, but only creates new problems by making borrowing more expensive for businessmen and consumers. Even Federal Finance Minister Peer Steinbrück, who is otherwise a dyed-in-the-wool supporter of the ECB, could not help but warn the European central bankers last week, that a new high-interest-rate policy would stall the engines of all of Europe.

Yet with the possible exception of the above-mentioned Italian finance minister, the leading politicians in the EU, who prefer to beat around the bush when talking about the crisis, should read what Ambrose Evans-Pritchard, chief columnist of the British *Daily Telegraph*, wrote in his blog on July 2 about the latest interest-rate increase of the ECB. Because of the low interest-rate policy of the U.S. Federal Reserve, he said, the policy of the EU central bankers amounts to drawing off streams of dollars, which will finish off the American currency.

"This is madness," Evans-Pritchard wrote; inflation is not the problem, but the threatened collapse of the credit and bond markets. Evans-Pritchard then attacked Bundesbank chief Axel Weber, and implicitly also ECB chief Jean Trichet, by comparing Weber's high-interest-rate obsession with Shylock's mania in Shakespeare's play *The Merchant of Venice*: that he is "like Shylock cutting his Pound of Flesh." Evans-Pritchard actually advised Weber to rather look for inspiration in Lessing's humanistic play *Nathan the Wise*.

When one takes into account that Evans-Pritchard is otherwise the rough-and-ready spokesman of a very influential faction of the London financial world, his commentary shows how widespread insecurity is in the highest financial circles about the clearly deteriorating situation. Panic is beginning to spread, in a situation which European institutions and national governments made for themselves, with their desperate clinging to the Maastricht system.


German President Horst Köhler refused to sign the Lisbon Treaty, because Germany's Constitutional Court has yet to decide on relevant cases before it.

Maybe the English truck drivers will get the government in London to agree to some of their demands, as the French government did three weeks ago with regard to its truck drivers (*routiers*) and fishermen. But the crude oil price has reached such a destructive height, that within one week, everything was wiped out that the governments had allocated in the way of benefits and easing of the tax burden. Therefore just last week, the French *routiers'* protests were renewed, and the allocations with which the Italian government, just in time, headed off nationwide protests and blockades by the Italian truck drivers at the end of June, will no longer be able to prevent unrest.

What will particularly contribute to broader unrest, is the demand by the ECB and its neoliberal collaborators for EU member governments not to concede any wage increases to lessen the impact of inflation on workers, while at the same time the "Stability Strategy" of the EU central bankers would be implemented.

Ungovernability—Or a New Bretton Woods

The big fissure could come here: Either the governments listen to the ECB and thereby make Europe absolutely ungovernable, or they finally sit down and seriously discuss real ways to get out of the collapse crisis. Only by accepting the previously rejected proposals of Italian Finance Minister Tremonti, for an intervention against the derivatives trade in crude oil contracts, would the first step in the right direction be taken. Next must come an EU initiative for convening a world financial conference, with the goal of reorganizing the banking system from the top down, through a "New Bretton Woods" agreement (as the American economist Lyndon LaRouche has demanded for years).

Such a conference, as Mrs. Merkel and Mr. Sarkozy probably recall, was demanded in an open letter a couple of weeks ago by 14 former government leaders of the EU countries, including former German Chancellor Helmut Schmidt and former Finance Minister Hans Eichel. It would be irresponsible to delay such an initiative until after the U.S. Presidential election in November, or even until after the Bundestag election in September 2009. It must be done now.