# European Monetary System becomes speculators' plaything

by Lothar Komp and John Hoefle

In the wake of a new round of Anglo-American currency warfare in July, the European Monetary System (EMS) is in shambles. With their economies already seriously weakened by depression, the European central banks—primarily the German Bundesbank and the Bank of France—were overwhelmed by the Anglo-American assault.

While the EMS's Exchange Rate Mechanism (ERM) currency regulation system still exists on paper, the decision by the European finance ministers, at an Aug. 1 emergency meeting in Brussels, Belgium, to raise the allowed fluctuation band to 15% for all currencies but the German mark and Dutch guilder, amounts to a de facto suspension of the ERM. Outside of continental Europe the decision to raise the fluctuation bandwidth is being dismissed as "hogwash," and the EMS is being described as "for all intents and purposes, dead."

## Maastricht is dead

The EMS's currency regulation system was designed to pave the way for the creation of a single European currency, as called for by the Maastricht Treaty. But the Anglo-American attacks on the EMS have destroyed the prospects for Maastricht. Last September, the British pound and the Italian lira dropped out of the ERM, and there have been several currency devaluations since. Now, despite the proclamations of the French government, the French franc has been effectively devalued, and the finance ministers narrowly avoided the withdrawal of most of the remaining countries, including Germany, Netherlands, Belgium, and Denmark, from the EMS. Furthermore, the location of the new European Central Bank, which is supposed to oversee this planned single European currency, has yet to be decided, due to political brawling.

However much the European governments, and officials such as German Finance Minister Theo Waigel and his French colleague Edmond Alphandery, swear their allegiance to the timetable laid out by the Maastricht Treaty, the treaty has deen derailed.

"Maastricht is now really dead," former British chancellor of the exchequer Norman Lamont recently declared, with undisguised relish. "There will not be a unified currency, and we shouldn't even try to create such a thing," he jeered.

Few tears will be shed over the demise of the Maastricht plan, which would have created a virtual bankers' dictatorship over Europe. But the end of an era of predictable currency relations will have considerable effects on trade among European countries, as well as trade between Europe and the rest of the world. Anyone who engages in trade within the European Community will have to expose themselves to the risk of abrupt currency fluctuations, or will have to take costly measures to protect themselves from that eventuality. Franco-German trade will be seriously hurt. EC Commissioner Henning Christophersen warns of significantly higher financial burdens to maintain the EC's agricultural budget, because of the expected currency turbulences. According to a poll conducted by the German Conference on Trade and Industry (DIHT), under current conditions Germany's export industry can count on experiencing a further collapse.

One of Britain's foremost foreign policy objectives is the prevention of a European union coalescing around Germany. The aim is to weaken Germnay itself, while hurting Germany's relations with neighbors in Europe—France in particular. The British-led currency warfare operations against the EMS have significantly advanced that objective.

How did it all happen? On June 6, the megaspeculator

George Soros, a joint asset of the British Rothschilds and the Federal Reserve Bank of New York, declared war on the German mark. The first assault did not succeed in breaking the mark out of the EMS, and in the following days the other EMS currencies appeared to be weakened as money flowed back into Germany.

Taking a new tack, the currency warfare operators then decided to go after Germany indirectly, by attacking the French franc, whose value the Bundesbank was committed to defending. The attack on the franc had absolutely nothing to do with objective economic factors, since the economic crisis is equally catastrophic in Germany and in France.

The success of these speculative attacks depends solely on prearranged, simultaneous actions of large funds that wield "innovative financial instruments" which the central banks themselves are not permitted to use. These derivative practices enable the speculators to do 10 to 20 times more damage than the central banks can prevent with an equivalent amount of funds. Those are the rules of the game. More than $1 trillion can be moved around the globe each day, while the currency reserves of all the world's industrialized nations taken together barely amounts to half of that.

The speculators, guided by the highest levels of Anglo-American finance, have their hands on the same inside information as the European central banks they are attacking. Therefore, the speculators' superior power over the central banks in "the world's freest market" is not surprising, and is now out in the open for all to see.

## Warnings of a crash

That the intent behind the attack on the EMS is political as well as financial, is becoming more clear each day, especially in France and Germany.

The French daily *Le Figaro* writes that "the currency dealers prefer universal free trade. As became evident regarding GATT [the General Agreement on Tariffs and Trade], they are hostile to any European protectionism, and suspect France of being a secret ally of this protectionism."

An editorial in France's *Le Monde* says: "The war between the international speculators and the central banks is a clash of two different cultures. The one is upheld by liberal, Anglo-Saxon ideologies, the other by continental, dirigist ideals."

French Nobel Peace Prize winner Maurice Allais is now warning that as a result of the practices of the speculators, whom he describes as "the gravediggers of western civilization," the world is now hurtling toward a financial crash which will be far worse than 1987. "Ill-thought-out decisions could precipitate the entire world into a collapse, beside which collapse the stock-market crisis in 1987 would seem entirely negligible, and which would be quite comparable to the Great Depression," Allais wrote in a recent article in the French paper *Libération*. The "essential aim" of these gravediggers, Allais wrote, is "to realize gigantic profits by unleashing psychological movements that tend to destabilize our western societies."

## Stop the speculation

How will the gentlemen who head Europe's central banks and political parties react to this challenge? Will the representatives of the German Bundesbank, who so gladly prate about how independent they are of developments in German politics, buckle under to the dictates of international speculators? A few harsh verbal attacks have indeed been made. Just before the recent EMS decision to widen the fluctuation band, Kurt Falthauser, financial policy spokesman for the Christian Democratic-Christian Social parliamentary group, pointed to "well organized, large-scale international speculation," and called upon the EC nations' finance ministers and central bank heads "to resist the wave of speculation with all available means. The dam must not be breached, otherwise European unification is threatened. . . . We must not allow Europe to be murdered by speculation."

The technical means to restrain the speculation could be quickly made available. Ever since American physical economist Lyndon LaRouche's proposal for a 0.1% tax on every individual derivatives transaction began circulating in financial circles, the news media have been mooting that and other possible measures. American economist James Tobin recently proposed to impose a tax on all financial transactions worldwide in the framework of an international agreement.

But it is still doubtful whether anyone is ready to act on those proposals. According to one financial expert from the German Christian Democratic Union (CDU), Germany already has laws on the books providing for taxation of currency and other capital transactions which have terms of maturity under 6 months. But the political will is not there to put the laws into effect, so that all efforts to halt money laundering and to tax the income of capital investment firms have failed because they were opposed by the banks and by a few large industrial firms. Siemens alone employs hundreds of investment specialists in Luxembourg and other easy-money centers, in order to figure out the best way to invest the firm's money, while thousands of workers in Siemens's productive branches are losing their jobs. Maurice Allais is right when he speaks of the "psychological manipulation" which is being used by leading forces in the west to put everyone—from trade union bosses to industrial managers—under the magic spell of a worldwide casino economy. It no longer occurs to such people that the speculation requires the immediate creation of new billions *ex nihilo*, while the real economy is collapsing for lack of the financial means to get out of the crisis.

As Lyndon LaRouche put it in a pamphlet just issued by *New Federalist*, "A planet Earth that would tolerate the free run of derivatives, is not a planet in which any sane investor would invest."