with Britain's Tony Blair, the strongest defender of Maastricht monetarism.

The situation Jospin had to face up to in Amsterdam was extremely difficult, for several reasons: 1) France had already accepted the treaty; 2) Chirac, who is the President of France, is favorable to it; and 3) the German government is totally opposed to any further spending on jobs, becaue of its mammoth budget deficit.

The fear in Paris, however, among Jospin's supporters, is that the prime minister is relying on his usual step-by-step, prudent, and negotiated approach, instead of taking the bold strides needed for a time of tremendous economic, financial, and social crisis. The population is fed up with the financial markets, fed up with unemployment, and will not wait long for Jospin to deal with those problems. The main slogan shouted out at the recent Paris demonstration of European workers—"Juppé, we got you; Jospin, we have an eye on you"—is indicative of the popular mood.

From this standpoint, the warnings by LaRouche associate and former Presidential candidate Jacques Cheminade to Jospin, to rid his cabinet of the Maastricht eggheads (or the "technostructure crocodiles," as Laurent Joffrin has called them in the daily *Libération*), are most important. Cheminade was referring to Pierre Jouyet, the assistant director of Jospin's cabinet, who had been staff director for Jacques Delors, during the latter's tenure as president of the European Commission. There is also François Villeroy de Galhau, a former Bérégovoy adviser named to head Dominique Strauss-Kahn's staff, who is known to be soft on liberalism and the free market. The influence of these "experts on adaptation to the laws of the markets" in daily decision-making is catastrophic, because they become inside conveyors of the dictates from the financial oligarchy. Simply put, Cheminade admonished Jospin, you cannot make an omelette without breaking the eggs!

The other test for Jospin's determination to break with the financial oligarchy now or in the near future, will be the relationship he establishes with Cheminade and his Solidarity and Progress movement in France. Cheminade remains, to this day, the only person who did what other leaders like Jospin only dream of doing: publicly and programatically challenge the financial markets. What separates the mere desire of fighting the markets from actually doing it, is the courage to stand up to the furious counterattacks of the financial oligarchy. Despite coming under intense attack during—and after—his Presidential campaign, Cheminade's example has undoubtedly had the effect of encouraging others to follow his political and moral lead.

The question of the role Cheminade can play within the French Republic is crucial: He is the only economist in France who can tackle the many problems left unresolved by Jospin's economic program—dealing with the world financial crisis, and returning to a dirigist economic system, driven by scientific development and high technology, which increases productivity while creating full employment as well.

Economists denounce 'monetarist' EMU

by Mary Burdman

A group of 331 European economists has signed an open letter to European heads of government, which breaks many of the taboos of international economic policy discussion. Prompted by the emergency they see arising in Europe, the economists denounce the economic fraud that is the basis of the European Monetary Union, established in the 1991 Maastricht Treaty, and warn that there are powerful "interests" in the financial sector profitting from the current crisis. The economists propose such measures as a tax on international financial transactions, use of national banks to issue low-interest credits to governments, and re-birth of the moribund "Delors Plan," including the Trans-European Networks of infrastructure development, as real alternatives to the Maastricht disaster.

This letter, which was published following the election of Lionel Jospin as prime minister of France, is an indication of policy shifts in Europe. Nothing concrete is yet being done, but the genie is out of the bottle. As Lyndon LaRouche noted in a radio interview with "EIR Talks" on June 19, even while proposals to counteract unemployment, such as that made by Jospin, are not being funded or enacted now, they are being put on the table. As the financial crisis worsens, and as national constituencies demand full-scale recovery programs, the policies are there, waiting for implementation.

The economists' open letter was sent to heads of government and to European newspapers the week of June 9, shortly before the biannual European Union summit held in Amsterdam on June 16-17. The open letter was initiated by three Dutch economists, Geert Reuten, Kees Vendrik, and Robert Went, in May, and has been signed—so far—by economists from 14 of the 15 European Union nations, including 66 signers from the United Kingdom, 65 from the Netherlands, 38 from Italy, and 25 from Austria. Signers include former German Bundesbank board member Wilhelm Noelling, who recently attacked the EMU as having triggered a "Maastricht depression" in the German economy, and Cambridge economist and Labour Party adviser John Wells.

The letter to the heads of government states: "Your economic advisers have told you that the EMU, as laid out in the Maastricht Treaty and further regulated in the Dublin Stability Pact, will bring Europe more jobs and prosperity. We . . . are afraid that the opposite is true. This project for economic and monetary integration not only falls short from a social, ecological, and democratic perspective, but also from an economic one. . . .

A homeless man in Wiesbaden, Germany, 1996. Much-needed infrastructure-building programs that would reduce unemployment are at hand, but they require abandonment of central banking, and a return to national banking policies, in order to fund them.

"A single European currency could be very advantageous. . . . But this EMU is not a starting point for a modern European welfare state; instead, it institutionalizes the dismantling of the public sector and reduces the maneuvering room for active social and fiscal policy. . . . What is remarkable, is that this [requirement that all public budgets cannot have a deficit over 3% of GDP any year], which is doing so much social harm, has *absolutely no economic basis*. . . . The reasoning behind these convergence criteria is drawn from monetarist doctrines that are not accepted by the majority of economists. . . . We therefore call on you to reconsider this EMU project. . . . EMU offers no perspective of an adequate response to environmental problems, of improvement in the lot of Europe's 20 million unemployed and 50 million poor, or for the defense and extension of the welfare state. . . . [emphasis added]

"As critics of the EMU, we are reproached with putting European cooperation in danger; we are told that we would do better to keep quiet. We are firmly convinced, however, that the greatest danger for Europe lies in the design of this EMU, which has led millions of Europeans to identify the euro with austerity and social suffering. It is high time that politicians realize: The peoples of Europe have the right to an economy that serves the interests of human beings."

This open letter is accompanied by a remarkable 40-page document, the *Memorandum of European Economists: Full Employment, Social Cohesion, and Equity for Europe—Alternatives to Competitive Austerity*. After stark warnings about the dangers posed to Europe by poverty, unemployment, social instability, and ever-more-authoritarian governments being artificially created, directly as the result of Maastricht policy, the economists make their proposals for job-creation and reform of international monetary relations.

Recalling the postwar miracle

In an radio interview with "EIR Talks" on June 25, LaRouche called the memorandum "very important." He noted the economists' differences from a strictly Keynesian approach, in that they "propose not central banking, they propose national banking, . . . to establish parities among currencies, . . . to national banks to issue loans as low as 0% for purposes of productive job creation. . . . These are eminently sensible approaches, which are actually in the tradition, in the deeper sense, of the American System, as specified by Alexander Hamilton and by the Careys, and by, in Germany, Friedrich List."

Such measures were also used by Germany in its postwar "economic miracle," LaRouche said, when Deutsche Bank head Hermann-Josef Abs secured U.S. cooperation in setting up the Kreditanstalt für Wiederaufbau (Reconstruction Bank). Germany was the only really successful recipient of the Marshall Plan funds, because Abs created a reserve fund to "generate five, six times that amount of credit internally, in the German economy, . . . to get production moving," LaRouche said. "What these economists are proposing, is essentially the highly successful proposal of Hermann Abs. . . . Like Jospin, they are essentially national economists."

The flaw in the economists' memorandum, is their Keynesian-related tendency to view employment as an end in itself;

they put too much emphasis on such measures as broad-based job-sharing and reduction of working time, and for ecology-oriented investment programs, as supposed measures for creating mass re-employment. This flaw reflects John Maynard Keynes's ignorance of the role of technological progress and infrastructure development, as the only basis for raising both the real wealth and the level of productivity of an economy. Such policies also ignore the enormous need, both within, but, even more, outside of western Europe, for infrastructure and technological, industrial, and agricultural development, in which Europe's workforce, still the most highly skilled in the world, must play the central role.

"As critics of the EMU, we are reproached with putting European cooperation in danger; we are told that we would do better to keep quiet. We are firmly convinced, however, that the greatest danger for Europe lies in the design of this EMU, which has led millions of Europeans to identify the euro with austerity and social suffering. It is high time that politicians realize: The peoples of Europe have the right to an economy that serves the interests of human beings."

Such a view on employment, is a weakness in the face of the international touting of the "job-creation success" of the U.S. economy. The reality of the U.S. "jobs miracle"—minimal wages, without security or benefits—would be seen as a disaster in Europe, where government policy has created, especially since World War II, a social security network that includes universal health care, and pension and unemployment benefits not achieved in the United States.

The memorandum's authors did attack the disaster of the "British model." "Reliance on insecure and underpaid forms of employment to establish labor-market equilibrium has proved self-defeating," the memorandum states. "A key case in point is the British example. . . . The boasted reduction of unemployment which is claimed for Britain's harsh and divisive employment model is largely spurious: declines in measured unemployment hide levels of welfare-dependence which in fact exceed those typical of other member states, while casualization on a large scale undermines the security of the workforce as a whole and social dislocation exacts rising costs. Evidence is also mounting of a widening British deficit in skills and educational standards. The orthodox discourse which sees a valuable precedent in the social experiments of the British conservatives is in fact leading EU policy into a blind alley."

Call for economic policy debate

The overall tone of the memorandum is stark enough, to almost reflect the full depth of the crisis into which Europe is plunging. The European financial press, especially the German-language press, regularly describes the dangers of a financial crash and banking debacle; almost every European nation has seen widespread social protests, strikes, and electoral upsets in the recent period.

The memorandum's authors call for open economic policy discussion, because they view the current economic strategy in Europe as "locked into a vicious cycle: a series of mutually self-reinforcing negative-sum games with increasingly harmful consequences." This strategy, "which is presented to the public as the only valid one, . . . rests on theoretically very controversial and to a substantial degree *utterly wrong* foundations." The economists warn that pursuing this strategy is "exacerbating economic and social divisions, making for polarization, leading to more inequality and injustice in society. This pattern of development also *threatens political stability and democratic structures* and gives rise to xenophobia and increasingly virulent euroscepticism" (emphasis added).

Control of inflation is *the* goal of this neo-liberal policy; but, "we reject the idea that economic stability means nothing more than price stability and that therefore economic policy can be reduced to disinflationary measures," the economists wrote. Unemployment, on the other hand, is seen entirely as the responsibility of the workforce and any measures protecting labor.

While the policies associated with the Maastricht Treaty "may be coherent" from "a fundamentalist free-market standpoint," along with the evils of unemployment and increasing poverty, the treaty is "creating the most important deflationary risks since World War II." It is creating a "two-speed Europe . . . [with] new divisions and polarizations among member countries—and it will establish new barriers between EU-members and third countries."

Unemployment is not only an economic waste, the economists warn: "It is also a political danger, leading to intimidation, to more authoritarian structures and, at the same time, more instability. Therefore we regard unemployment as the most urgent social problem in the EU."

Growing social movements

The memo states that its authors are "encouraged in our approach by the fact that recent years have seen the beginning of social movements in several countries, often as resistance to social cuts. We support this resistance and hope to contribute to it in our professional capacities. As European economists, we feel a responsibility to criticize the narrow economic discourse which has led to the present incorrect and damaging policies and to show that—in spite of tendencies to globalization—there are alternatives to that policy. The allegedly scientific justification of free-market radicalism is in fact a caricature of economics as a science."

The memorandum warns of the dangers inherent in the "neo-liberal" doctine, and its "extreme individualism, which undermines solidarity and social responsibility," to the extent that, "in spite of its professed opposition to state control, it involves a *repressive state* in reality, since only a strong state can impose the disciplines which it requires and contain the social conflicts to which it leads" (emphasis added).

'Tyranny of globalized asset markets'

European integration "makes both necessary and possible much greater social control over financial processes, which at present subject most if not all member states to the tyranny of globalized asset markets," the economists' memo states. "In spite of the huge volume of international capital flows, globalized credit at present makes very little contribution to productive investment."

Methods to exercise this control could be "to reinforce bank supervision through agreement among BIS [Bank for International Settlements] members or European legislation." Another could be "a *foreign exchange transaction tax,* which would discriminate against short-term flows in particular, and thus affect speculative temporary exchange positions more than the finance of trade and long-run investment. . . . Such restriction of speculative activity would at the same time restore much more power to central bank intervention" (emphasis added).

"European monetary policy should endeavor to facilitate the reform of international monetary relations. Since the collapse of the Bretton Woods system in the early 1970s and the subsequent financial deregulation, exchange rates and short-term capital flows have become one of the most unstable and dangerous elements of the world economy. . . .

"Short-term capital movements, although they now involve almost unimaginable levels of foreign exchange turnover, have become disconnected from their original purposes of financing international trade and international investment and hedging of risks associated with these functions. They are now almost completely driven by *speculative* and arbitrage motives. As a result, these flows have become a major obstacle to the use of expansionary macroeconomic policies and lower interest rates in support of employment oriented strategies.

"The best solution to this problem would be the re-establishment of an international cooperation regime comprising all major currencies." This would include: "an internationally issued and administered reserve medium to replace the privileged 'key currencies' of the past; a mutual commitment to maintain international payments balances; . . . [and] an agreement to control international capital flows and to take measures discriminating against, and thus reducing, short-term flows."

The economists warn, however, that "there are powerful interests, mainly in the financial sector, which profit from the present situation and are strongly opposed to any reregulation. Nevertheless, the EU should work in this direction and exert its influence in international institutions to promote a global monetary stabilization regime. The EU's opinion will carry more weight to the extent that the EU itself has successfully reformed its own monetary regime to the benefit of member states."

Financing employment

Europe's remarkable postwar reconstruction was made possible, *not* by an obsession with the free market, but with an "unequivocal commitment to full employment, state action on a large scale, including massive public investments, and the active mobilization of social forces—notably the labor movement," as the only way to promote "long-run development priorities." Today, 20 years of economic devastation call for a comparable approach. "For the purpose of financing immediate employment programs, the EU, too, should make more intensive use of the instrument of public borrowing."

The economists note the already existing 1993 "Delors Plan" to create 3 million jobs in transport, energy, telecommunications, and environment projects, and proposals for financing. "The accentuated abstention from borrowing on the part of the EU is one of the harmful results of the neo-liberal bias," the memo states. "If this ideology is rejected, there will be more room for financing an expansionary European fiscal policy, to a considerable part via Eurobonds. . . .

"The argument of low-interest government borrowing from national central banks also applies to the EU level and the ECB (European Central Bank). There is no sensible reason why the EU should not have preferential access to the European Central Bank, within the framework of a comprehensive, transparent and well-targetted employment strategy."

Even more importantly, the memorandum introduces the potential role of "national central banks" in issuing credit:

"In order to alleviate the burden of public debt service, the modalities of government borrowing should be reconsidered. As long as the growth of credit remains within the limits compatible with low inflation, there is no need to insist that additional public borrowing be provided directly from the capital markets. Instead, the national central banks could and should provide the money directly at lower (or possibly even zero) interest rates to the governments. The argument, that such facilities would amount to a license to print unlimited amounts of money is incorrect: The abuse of preferential access to Central Bank finance can be prevented by appropriate institutional and parliamentary barriers.

"On the other hand, there is no reason why democratic governments and parliaments should not have preferential access to central bank finance, as they have preferential access to every citizen's money via taxation. . . . The essential difference between central bank loans to governments and capital market loans to governments is the additional profit of the financial sector in the latter case."