Report from Bonn by Rainer Apel

No future for the 'euro'

Four economists have brought a legal case before the Constitutional Court against the European Monetary Union.

On Jan. 13, in Frankfurt, Hans Tietmeyer, the head of the German central bank, told an American delegation led by U.S. Sen. Pete Domenici (R-N.M.), that the monetary integration of Europe will definitely occur, and the European Union's new currency, the euro, will begin to compete with the role of the U.S. dollar, once it comes into being in January 1999. Private banks, the political establishment, the overwhelming majority of the media, and even the leaders of the labor movement, are saying the same thing.

With the single currency, all of them argue, the European Union (EU) and its 400 million population will be safe against currency speculators, and it will be spared the costs of currency transactions (several tens of billions of dollars annually) among its 15 member countries.

Recent opinion polls claim that 70-80% of the German population favors the euro, but, at the same time, more than 60% fears that the new currency will bring disadvantages, while only 14% believes it will have benefits. Thus, the population is actually against the European Monetary Union (EMU), but has resigned itself to it. This impotent view has a lot to do with the media, which keep asserting that the euro must be implemented.

The government, well aware that the population is rejecting its policy, has spared no efforts, since the signing of the EMU treaty in February 1992, to prevent a broad public debate about the euro.

But the EMU stands on feet of clay. The nervous hyperactivity by pro-euro propagandists, to play down a legal move by four prominent plaintiffs against the project before the Constitutional Court, shows how very soft the clay is, underneath the government's position. On Jan. 12, the four plaintiffs went to the Constitutional Court in Karlsruhe, to present a legal case against the EMU on the grounds that it violates the German Constitution.

The plaintiffs charged that four articles of the Constitution are violated by the EMU and its envisioned transfer of financial and monetary sovereignty to the envisioned European Central Bank: Article 14 (guarantee of property), Articles 20 and 28 (guarantee of the social welfare system), and Article 38 (sovereign, democratic rule).

The plaintiffs are four prominent representatives of the economic and judicial elite of Germany: former German central bank council member Wilhelm Noelling; former Hesse state central bank director Wilhelm Hankel; and two professors of international and public law, Joachim Starbatty and Albrecht Schachtschneider.

The main argument of the plaintiffs is that fraudulent or, as they are called nowadays, "creative" bookkeeping methods, of the sort the new system requires, run against a Constitutional Court ruling that the European Union's Maastricht Treaty can only become German law, if it is guaranteed that the euro will be as stable as the deutschemark. This, the plaintiffs say—and many agree with them—is not guaranteed by the trick of "creative" bookkeeping.

Germany's sovereignty is undermined and threatened by the EMU design, Noelling explained on Jan. 12, after the case had been filed in Karlsruhe. The euro will bring more inflation, more devaluation of property, more joblessness, less social welfare, and will deprive Germany's national institutions of the means by which to fight these developments. To put it plainly: The monetary union will push Europe into a full-scale economic depression and destabilize the economies of the European Union countries.

The response from the German establishment and the media has been largely hostile and arrogant: "Who are these four professors anyway?" But most commentaries have been hysterical, because the legal case comes at a moment of great political uncertainty, as the last few weeks of Asian financial collapse have revealed a systemic crisis of the global financial system. In other words, it is not the legal case as such which threatens the EMU; it is the ongoing world financial collapse.

None of the many political designs, such as the euro, that were formulated in the early 1990s, can hope to survive the current financial and economic crisis; just as the Soviet bloc went under after 1989, so the "Western" system of monetarism will go under as well. This magazine, and its founder, Lyndon LaRouche, have always said, what most experts have claimed is not the case: that this monetarist system is doomed.

Meanwhile, some analysts are coming closer to LaRouche's view. In a discussion on Jan. 13 with this author, Beate Reszat of the Hamburg World Economic Archive, one of Germany's leading econometric institutes, said that if the Asian crisis worsens, the thunderstorms will come to Europe and blow the whole euro project away, even before the Constitutional Court has ruled on the case of the four plaintiffs.