Euro Experiment Has Failed; Save Economy, Not the Banks!

by Helga Zepp-LaRouche

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Feb. 7—"Panic About the Domino Effect," "Greek Tragedy Becomes a Worldwide Drama," "Eurozone 'PIGS'[1] Are Leading Us All to the Slaughter"—the weekend headlines of the financial press expressed sheer dread. There's no doubt about it: The acute possibility of state bankruptcies of a number of southern members of the Eurozone, with potentially dramatic consequences for the entire banking system, added to the continuing rise in U.S. unemployment to about 8.4 million during the first year of the Obama Administration, means that the next phase of the systemic crash, and this time the fatal one, has been reached.

Predictably, the policy of the G20, with its trillion-dollar rescue packages for the ailing banks, has failed miserably. Although the focus of the media this weekend was on the Eurozone's deficit countries (Greece, Spain, Portugal, Iceland, Ireland, Italy, and Latvia), also Ukraine, Dubai, Iraq, Pakistan, Argentina, and Venezuela face state bankruptcy, as do even Great Britain and the United States. In a nutshell: The global financial system is finished. The policy represented of the EU Commission and the IMF, which is to force the population to pay the costs, in the form of draconian austerity policies, led to catastrophe in the 1930s, and must be rejected today as totally incompetent! Instead, the hopelessly bankrupt financial system must be replaced by a credit system, and the bankers and politicians who are responsible for the disaster must be held accountable.

The Prospect of Ungovernability

All those politicians, bankers, and "economists" who, with their deregulation of the financial markets, first made possible the high-risk speculation by banks, hedge funds, and investment companies—and who then made sure that the taxpayers would have to step in with trillions to pay off the gambling debts—those are the same people who are now threatening to plunge the most affected countries into ungovernability, with their brutal austerity demands. The bankers' dictatorship is demanding that Greece carry out the impossible task of reducing its budget deficit from 12.5% in 2010 to 2.8% in 2012, which means draconian cuts in all areas; the bankers are monitoring Greece day by day.

[1] The PIGS, in EU bankers' jargon, are Portugal, Ireland, Greece, and Spain. *Daily Telegraph*, Feb. 5, 2010.

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As the crisis deepens in Europe, protests are growing, with the threat of social chaos looming, if governments do not reassert their sovereignty against the bankers' dictatorship of the European Commission. Shown, Greek workers on strike, December 2009. More strikes are currently ongoing.

EU Commissioner Joaquín Almunia Mira even threatened that Greece would be downgraded to a protectorate of the EU—as a warning to the other 19 EU member states that have also violated the Maastricht budget criteria.[2]

But it is not only Greece that will be strangled by these measures. Spain, for example, to reduce its budget over the next three years by around $70 billion, would have to reduce investment by 14%, impose a hiring freeze on the public sector, reduce municipalities' salaries and expenses, raise the retirement age, etc. In all the affected countries, the population is responding, as expected, with massive resistance: In Greece, there is a two-day strike by the tax and customs authorities, farmers are blocking the roads, public-sector employees will go out on strike, as will the largest trade union, the GSEE, which has announced a general strike for Feb. 24. Similar protests are planned in the other countries.

But even if governments manage to push through the cost-cutting measures that the EU bankers' dictatorship requires, the problem would only get worse. They would plunge into a deflationary spiral, in which any cuts would further shrink the economy, in turn enlarging the deficit, leading to demands for even greater cuts, etc., etc., and with social chaos as the inevitable outcome. Very soon, either state bankruptcy looms, or these countries will see no alternative but to withdraw from the Monetary Union, at least regain to sovereignty over their own currency and economy.

But the ruin would not remain confined to the above-mentioned countries; it would very quickly reach the states that still enjoy AAA status with the credit rating agencies. Great Britain, which pretties up its debt statistics by simply not including the debt of nationalized banks, could soon be in a much worse situation than Greece, wrote Ian Campbell recently in the *Daily Telegraph*. The announcement by the Monetary Policy Committee of the Bank of England, that it would stop the policy of "quantitative easing"—i.e., printing money—could convince the market very quickly that the country is hopelessly bankrupt, and could lead to a situation where government bonds find as few customers as in Greece.

A Bankers' Dictatorship

Typical of the state of the banking sector is the case of the largest bank in Europe, Banco Santander, the nominally Spanish bank with British affinities. Although the bank announced an annual profit of EU8.9

[2] The EU's Maastricht Treaty of 1992 compels member countries to keep their state budget deficits below 3% of annual GDP.

billion, the highest in its history, it had to admit that write-offs of non-performing loans would increase considerably in 2010, which the markets acknowledged on the same day by slumping by 10%. According to the *Guardian*, Banco Santander is involved in half of all mortgages in Great Britain, as well as in various business in South America, including high-interest government bonds in Brazil. In 2008, Santander lost more than $2 billion in the scandal over Bernie Madoff's criminal money-laundering (among other things). The bank received substantial loans from the European Central Bank in 2007 and 2008, against dubious collateral, which raised the question of compatibility with the ECB's statutes at that time.

If the domino effect occurs; if German banks find themselves exposed, to a total of EU541 billion in Greece, Spain, Portugal, and Ireland alone—which is not peanuts; if state bankruptcy leads to uncontrolled collapse of the Eurozone, then the debt write-offs required could quickly reach a magnitude that threatens those banks.

The Eurozone is now exactly at the point that I warned about, before the deutschemark was abandoned and the European Monetary Union was implemented: a single currency without political unity and with an enormous gap in economic development could not function. After an illusionary phase, in which the so-called "catching-up states" experienced a boom—read: bubble—now we see the true dynamics. The discrepancy between the surplus countries (Germany, the Netherlands, Belgium, and Austria) and the deficit countries (notably Greece, Spain, Portugal, Ireland, and Italy), has expanded dramatically in the eight years since the introduction of the euro, and has now reached the breaking point.

If the European nations continue to submit to the dictates of the British Empire—i.e., the EU dictatorship and all the destructive aspects of its policy—then Germany and all the other states will soon sink into misery and chaos. These destructive aspects include the green eco-dictatorship of the EU Commission, as well as the madness of the Stability Pact, the Maastricht Treaty's budget criteria, and the debt brake.

"If we do not take the Stability and Growth Pact seriously and implement it, then virtually no one else will. We Germans have a special responsibility for the common currency," said Jörg Asmussen, the state secretary in the Finance Ministry who was, in 2004, during the red-green [Social Democratic-Green] coalition, involved in the deregulation of Germany's financial markets, and thus removing the last barriers to unbridled speculation; the same Asmussen who then took care to ensure that the speculators who had gambled away their money were then thrown triple-digit billions, and who now wants the population to tighten their belts.

And why do "we Germans" have a special responsibility? Did we vote in a national referendum that we wanted to give up the deutschemark? Or was it not rather Margaret Thatcher, François Mitterrand, and George Bush, Sr. who forced us to accept the European Monetary Union as a price for reunification, on penalty of massive consequences (and, if Jacques Attali is to be believed, even threat of war)? Even Chancellor Helmut Kohl himself knew that the Monetary Union could not work, because there was and still is no political union. Asmussen should admit to his huge mistake, resign, and keep his mouth shut.

The Solution

We have arrived at a dramatic point. It is high time that we recognize that the euro experiment, forced upon Germany from outside, was a huge mistake, and that we must regain sovereignty over our own currency and economic policy. The solution is to implement the credit system proposed by Lyndon LaRouche, which puts an end to the horrendous excesses of "creative financial instruments," and to join with the sovereign nations in the developing combination of the United States, Russia, China, and India. With the new financial architecture in the tradition of Franklin D. Roosevelt, we must place the real economy back on the foundation of scientific and technological progress.

If we in Germany do not quickly get over the superstitions about "green jobs" and the sale of indulgences by fictitious carbon dioxide emissions trading—which exists to a significant extent only in Europe—then our beautiful country will plunge into chaos and misery. Did you actually know that Germany is the *only* country in the entire world that is not planning the construction of a single new nuclear power plant? Or are all the other motorists just driving the wrong way, while only we are on the right side of the Autobahn?

If Germany is to have a hopeful future, then it has to implement the BüSo's program. The voters in North Rhine-Westphalia will have the opportunity to send a clear signal.