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The Euro System Is on The Brink of Collapse

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Feb. 11—The European Union summit in Brussels on Feb. 10-11 did absolutely nothing to avert the looming collapse of the euro system. The demand that Greece reduce its 2010 budget by 4%, repeats the error of Chancellor Heinrich Brüning's 1930-32 austerity policy, and cannot be implemented, in any event, because of massive resistance. The question of who should pay to refinance the Greek debt (the German taxpayer, naturally), was postponed, due to the explosiveness of the question, until Feb. 15-16. By contrast, EU president Herman van Rompuy shamelessly announced that the European Council should be responsible for economic policy, budget planning, structural reform, and measures regarding climate change—effective immediately.

Even though the term "European Economic Government" was avoided, the European Council intends to operate precisely as such—i.e., to treat not only Greece, but all member-states, as protectorates, and thus, to dictatorially launch the entire disastrous arsenal of the Maastricht Treaty criteria, the Stability Pact, and the debt brake. Thus, the EU of the Lisbon Treaty has emerged precisely as the monster we warned against, even before it was signed: an oligarchical imperium, in which the last vestige of sovereignty of the nation-state has vanished.

It is significant that EU Commission advisor Alberto Giovannini, who led the group that worked out the technical transition from national currencies to the euro, outrageously told the Italian daily *Il Sole 24 Ore* on Feb. 10: "History teaches us that empires always achieve greater efficiency and prosperity; with its extensive geography, the imperial model is more successful."

The Problem Is Not Greece

Unless there is a dramatic change in policy, the entire European system will collapse. Given the huge deficits of almost all EU member-states, the German taxpayer is left as the big paymaster. So the excessive focus on Greece is itself a deception, because the Greek debts to the various European banks are a relatively small problem. The far more dramatic problem is the debt of Spain, whose banks spread their bad mortgage loans all over Europe, by securitizing them.

In December 2007 alone, Spanish banks obtained EU63 billion through the European Central Bank's repo facility, and, between the middle of 2008 and the end of 2009, an additional EU27.7 billion from the ECB in new money, for which they deposited, to a large extent, toxic real estate titles as securities, and thus titles in a market, which, according to the president of the Spanish Mortgage Association, Santos Gonzáles Sanchez, is de facto bankrupt. Banco Santander, which is closely connected with the Royal Bank of Scotland, in terms of personnel and business practice, sits atop gigantic financial bubbles, such as the "bolha Brazil," the Brazilian bubble. Between the Brazilian "carry trade"—by which inves-

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Clueless in Brussels (left to right): EC president José Manuel Barroso, German Chancellor Angela Merkel, Greek Prime Minister George Papandreou, French President Nicolas Sarkozy, and EU president Herman van Rompuy, at the EU summit on Feb. 11.

tors raise money at almost 0% in Europe, the U.S.A., or Japan, and then invest it at 8.75% interest in Brazil—and a 27% appreciation of the Brazilian currency—the real, in 2009, speculators were able to pocket a profit of 35.75% at the end of the year. But this bubble is no more stable than the similar profits, which Santander has made with its operations in Great Britain.

In reality, with the imminent state bankruptcies of Greece, Spain, Portugal, Ireland, Italy, Turkey, Dubai, Great Britain, and the U.S.A., to name only a few, this amounts to the same thing as the gigantic trillion-dollar bailout packages already given to the banks in the United States and Europe: that the governments should reward the banks and their continual gambling, with new public funds. If this policy were continued, it would end very soon in dramatic inflation.

Defend National Sovereignty

This obviously also caught the attention of *Frankfurter Allgemeine Zeitung* editor Holger Steltzner, who wrote in an alarmed lead commentary, on the day of the EU summit: "In plain language that means: Germany should be responsible for Greece's debts. But this is not the way the euro was sold to the Germans. Before the we left the German mark, the Maastricht Treaty was solemnly signed, explicitly forbiding a member of the Monetary Union from being held accountable for the debts of another member. If this central precept of financial-policy stability no longer applies, then the Maastricht Treaty, the Stability and Growth Pact, and also the debt limits in the German Constitution are not worth the paper on which their praise for stability is written. Then, Germans will want the mark back." The survival of the European Monetary Union and the stability of the common currency would be at stake, he wrote, and the citizens would be threatened with depreciation of their money and their pensions. Strong words, for a newspaper which seemed to be wedded to the neo-liberal paradigm.

In fact, the European nations will only survive, if they regain sovereignty over their own currencies and economic policies. And they will also only survive, if the high-risk speculation to which the G20 governments have consistently given their blessing since the outbreak of the crisis 27 months ago, is brought to an end, once and for all, through reintroduction of the Glass-Steagall standard, which strictly separates commercial and investment banks, and cancels toxic waste.

We shall see how the Constitutional Court in Karlsruhe reacts to the latest EU summit, since the Court had explicitly ruled in June 2009 that the EU is not a Federal state, and had confirmed Germany's sovereignty as an EU member-state, as well as its own supervisory authority. In its so-called "Maastricht Judgment" of October 1993, Karlsruhe had, in any case, granted any German government the right to leave the Monetary Union, should the stability of the euro turn out to be illusory, and should the euro fall below the value of the deutschemark.

In this highly dramatic and high-risk situation, it is indispensable, that mythologies be cleared up and the truth be reestablished. One such myth is that banks have a "systemic" character, and therefore have to be "rescued" over and over again by the taxpayer. If there is something that has a systemic character, then it is the real economy, the general welfare, and the life of the citizen.

Another one of these mythologies, anthropogenic global warming, has just disappeared under mountains of falsified e-mails, non-melting Himalayan glaciers, and great quantities of real snow, which St. Peter has generously and demonstratively dumped on the Northern Hemisphere.

There is not much time left to act.