EIR World News

NO TO A NEW VERSAILLES DICTATORSHIP!

The EU as a Federal State Is Unconstitutional

by Helga Zepp-LaRouche

May 14—There is only one rational reaction to the daily escalating Euro-crisis: The experiment with a currency union without political unity must be declared a failure, and the states of Europe must restore sovereign control over their own currencies and economic policy. According to what the EU Commission is currently planning, with a European-wide economic regime and endless "rescue packages," tensions between the states will only increase further, and hyperinflation like that of Weimar 1923 threatens to reemerge soon.

Who elected Olli Rehn to office? No one did. Yet this man, in his capacity as European Commissioner for Economic and Financial Affairs, feels himself qualified to propose a reform of the obviously failed Stability Pact, according to which the EU Commission can oversee and adjust the budgets of the member states, even *before* these are allowed to be presented to the national parliaments. In that case we could just as well spare ourselves the farce of elections, and call things by their right name: This is the consolidation of a supranational EU dictatorship!

As for rules, the EU has long since stopped abiding by them. The gigantic EU750 billion bailout package violates the Maastricht Treaty's "no bailout" clause[1]; the European Central Bank, which was supposed to ensure that the "euro would remain as strong as the deutschemark," is now buying government bonds of "junk" status, which means it is virtually printing money and has itself become a "bad bank."

Dominique Strauss-Kahn, the managing director of the IMF and, thus, of an institution that countries have had to break with before they could recover, now recommends that the EU become a financial union, in which financial resources could be transferred from one part to another. To put it plainly, the German taxpayer is supposed to permanently become the paymaster for everybody, while Rehn, EU President Jean Claude Juncker, European Central Bank President Trichet, and European Commission President José Manuel Barroso decide who gets how much and when. The EU would become a community of inflation and transfer, in which Germany would have to pay much more than the amounts now being discussed.

A meeting recently took place in Zurich of top representatives of the international financial institutions, including Strauss-Kahn (IMF), Trichet (ECB), Mario Draghi (Financial Stability Board), Axel Weber (Bundesbank), who discussed abandoning the dollar as the world reserve currency, and the role of the yuan. Aside from participants' clinging blindly to the failed monetarist model, what was scandalous about this meeting was the fact that George Soros, of all people, was present. Soros, who has already annihilated the wealth of entire nations by his currency speculation, took part in a secret meeting in Manhattan in February,

1. The 1992 treaty specifies that "a Member State shall not be liable for or assume the commitments of central governments, regional, local or other public authorities, other bodies governed by public law or public undertakings of another Member State, without prejudice to mutual financial guarantees for the joint execution of a specific project."

EIRNS/James Rea

The BüSo in Berlin, May 15: "Back to the D-Mark."

by a circle of top investment bankers! So just what is going on?

Although, until the EU Summit in March, Chancellor Merkel acted as though she were defending the stability of the euro, everything is now being rubber-stamped: The EU750 billion package is suddenly "indispensable" to "defend our currency." Merkel is constantly uttering phrases which sound as smooth as if they had come straight from a top PR Agency—but are they true? "If the euro fails . . . then Europe fails, then the idea of European unity fails," she said, in her speech in Aachen on the occasion of awarding of the Charlemagne Prize to Polish Prime Minister Tusk.

But if the euro fails, that *doesn't* mean Europe has to fail. On the contrary, cooperation within a Europe of the Fatherlands, in the sense of de Gaulle and Adenauer, would strengthen Europe. We can work together very well for common aims, as sovereign countries, without the mammoth bureaucracy in Brussels, without EU directives that ruin whole branches of industry and agriculture, and without a host of soulless technocrats, who waste our tax money. If the crisis over the future of the euro is not overcome, Merkel says, the consequences for Europe "and beyond" would be unforeseeable. What does that really mean?

Remember Versailles

What allegedly "defends our currency," is a new edition of the Versailles dictatorship. Let's remember: The victorious powers of World War I accused Ger-

y of being the sole guilty party for the war—a thesis that no serious historian would defend today—and Germany then had to render reparations payments which far exceeded the productive power of its economy. The Reichsbank helped itself by simply printing money. Initially, the inflation was not apparent, but, starting in the Spring of 1923, it exploded as hyperinflation, and after half a year, everyone was suddenly a billionaire—only they couldn't buy anything with the money.

Despite the current EU750 billion "rescue package," the euro fell about 6% in only five days (!); some financial types are already saying that it will drop to 75 cents, which would result in an enormous inflation rate. But the main problem is not the Greeks, Spaniards, or Portuguese, because the sums made available to these countries flow directly back into the banks that hold the debts. These banks happily continue to speculate in high-risk areas, and not a few of them are now being investigated by the American Securities and Exchange Commission and the New York Attorney General's office, for crooked operations, and some have been charged, such as Goldman Sachs—the bank, by the way, which "prettied up" the Greek statistics, making possible Greece's entry into the Eurogroup.

The policy of the EU Commission, the ECB, the IMF, and the Fed, is to print as much money as necessary through various means, in order to further maintain the high-risk casino, and, at the same time, to impose brutal austerity policies in all countries. In other words, the ill-fated combination of hyperinflation, as in 1923, and austerity like that of Chancellor Heinrich Brüning at the beginning of the 1930s, a combination which led to mass impoverishment, mass unemployment, and a total collapse of the economy. The defense of "our currency," of which Merkel speaks, would indeed have incalculable consequences for Europe "and beyond," namely, global hyperinflation, because the ECB is now doing precisely the same thing that the Bank of England did previously with its "quantitative easing, and the Fed did with its TARP program—namely, printing money.

Bloomberg news service pointed out that, on May 4 and 5, when the Greek crisis began to spread to Spain, Portugal, Ireland, and Italy, everyone wanted to sell state bonds, and no one would buy. At that point, Merkel was placed under enormous pressure to abandon her resistance to further rescue packages; she received calls from Barroso, French President Nicolas Sarkozy, British Prime Minister Gordon Brown, and even U.S. President Obama (twice), telling her that everything must be done to "save the euro." She caved in, and suddenly declared there was "no alternative to the ECB mega-package."

This certainly reminds one of the way that, in November-December 1989, Chancellor Helmut Kohl was pressured, by British Prime Minister Margaret Thatcher, French President François Mitterrand, and U.S. President George Bush Sr., into giving up the D-mark, against his better judgment, as the price for reunification. Thatcher then had her Secretary of State for Trade and Industry, Nicholas Ridley, compare Kohl to Hitler, saying that reunified Germany should be termed the Fourth Reich. According to a biography of Mitterrand by Jacques Attali, the then-French President threatened Germany with a new version of the Triple Entente, and war, while Bush insisted on Germany's self-containment through submission to the corset of the Maastricht Treaty. Before that, Kohl himself said that a European Monetary Union could not function without political unity.

But an attempt to force through such political unity now, *after* the euro has proven such a failure, and predictably so, is clear lunacy. Due to its population size and economic strength, Germany is now the biggest contributor to the EU, and, with Holland, Finland, and Austria, is one of the only four EU countries with balance of payments surpluses. That means Germany will again have to pay the lion's share for the debt crisis: the same dictatorship as that imposed at Versailles in 1919, would lead to exactly the same result: hyperinflation like 1923, only this time, worldwide.

When Mrs. Merkel says there is "no alternative" to this policy, she really means to her capitulation to Barroso, Sarkozy, Brown, and Obama, just as Kohl thought he had to give in to the pressure, in his time.

The Glass-Steagall Alternative

In fact, there is a very good alternative to this hyperinflationary policy. And it is now headed for a vote in the U.S. Senate, in the form of an amendment that was introduced by Senators Maria Cantwell, John McCain, Russell Feingold, Ted Kaufman, and Tom Harkin, which provides for reintroducing a divided banking system, the so-called Glass-Steagall standard. The latest information from Washington is that there is a majority in the Senate for this amendment, but that an all-out mobilization is necessary up until the vote, since the Administration will only accept the so-called Volcker Rule, which is full of loopholes for speculators. The fate of the world hangs on this vote.

If the outcome of the vote is positive, then we in Europe must do the same thing immediately: Introduce a split banking system, protecting commercial banks and the general welfare, while the investment banks and their spinoffs attempt to bring their own books in order—without taxpayers' money!

On June 30, 2009, the German Constitutional Court in Karlsruhe delivered a memorable ruling, which found the conduct of the Bundestag in the vote on the so-called "accompanying law" for the Lisbon Treaty to be unconstitutional. The judges ruled that the EU is no federal state, but remains an alliance of sovereign states. And this very principle is breached by the proposals of Rehn and European Council President Herman Van Rompuy, which they intend to put through at the next EU summit, on May 20.

Among the many misconceptions about the euro was Kohl's statement of April 1998: "The euro will allow the mark to be forgotten." As the newsletter of WGZ Bank reported, the latest polls showed that 44.05% of Germans wanted the DM back (47.98% wanted to keep the euro)—a number that changed, since the sharp decline of the euro and the passage of the mega-bailout package, to the detriment of the Euro Fan Club.

On the question of whether bankrupt states should be excluded from the EU, 51.87% of those polled answered yes (31.24% no); on whether Germany should provide financial assistance, 63.88% said no, and 22.98% said yes; and on whether Germany ever benefitted from the euro, 53.27% said no and 33.52% said yes.

If we do not want to repeat the horrendous errors of June 18, 1919-November 1923 and of 1992, Germany must withdraw from all the EU treaties it has entered into since the Maastricht Treaty, which it is absolutely entitled to do under international law, because any country can terminate international treaties if they violate its fundamental interests.

Our parents, grandparents, and great-grandparents, it they are still alive, remember the brutal destruction of people's life savings by the hyperinflation of 1923, and almost all Germans have a sense of it from word of mouth. We also have in our historical memory the utter failure of Brüning's austerity policies, with the resulting unemployment, and, finally, the policies of Hitler and Schacht that resulted.

If we want to prevent civilization from plunging into a catastrophe once again, then support the BüSo's fight for a Glass-Steagall standard and the reintroduction of the deutschemark!

The author is the national chairwoman of the Civil Rights Solidarity Movement (BüSo), the party of the LaRouche movement in Germany. Her article was translated from German for EIR.

The Mass Strike Is Taking Scalps

by Harley Schlanger

May 16—The decisive defeat of two prominent Congressional incumbents last week, which sent shock waves through the nation's "political class" and media babblers, would not have been a surprise, were they not in denial about the deep and still-developing anger in the American population. This anger, over the accelerating disintegration of the nation's economy, and the erosion of hope for a better future, is now being turned into votes, as a new political dynamic has emerged, one which threatens any incumbent who supports the continuing bailout of bankrupt financial institutions; also targetted are those who did not aggressively fight against Obama's Nazi health-care policy. American voters are quite riled up, and are now looking for scalps.

The scalps taken last week were of three-term incumbent Sen. Robert Bennett, a conservative Republican from Utah, who is part of the Senate GOP leadership; and a 14-term Democratic U.S. Representative from West Virginia, Alan Mollohan.

In normal times, neither of these two politicians would have had trouble being reelected. Both have deep roots in their states, with fathers who held their seats before them. Both had more than adequate money for reelection campaigns, and the support of their party's leaders

But these are not ordinary times, and the standard political rules no longer apply. Both incumbents were crushed, with Bennett winning less than 26% of the vote at the Utah Republican nominating convention, and Mollohan winning only 44% in a two-way Democratic primary. When Bennett attempted to address the convention, he was greeted with derisive chants of "TARP, TARP, TARP" from the delegates, a reaction to his continuing support of the $24 trillion-plus bailout; while Mollohan's defeat stemmed from his vote for the Obama health-care plan, and his backing for the anti-scientific cap-and-trade legislation. It should be noted that Bennett was also running in a political environment heavily influenced by LaRouchePAC's highly visible, long-term intervention in Utah.

What these results demonstrate is that the present situation can only be understood in the terms used by Lyndon LaRouche to describe the phenomenon overturning politics as usual: The U.S. is presently characterized by a "mass-strike" phenomenon, in which a significant section of the population has been propelled into political action by the depth of the existential crisis it faces. Voters are no longer motivated by "normal" concerns, such as "going along to get along," or loyalty to party, or gratitude for the ability of an elected official to "deliver" constituent services, but by something which the political establishment describes as an "irrational" force, and has tried to dismiss.

After the results of last week, those incumbents who remain in denial about this mass-strike force, will do so at the risk of the survival of their careers.

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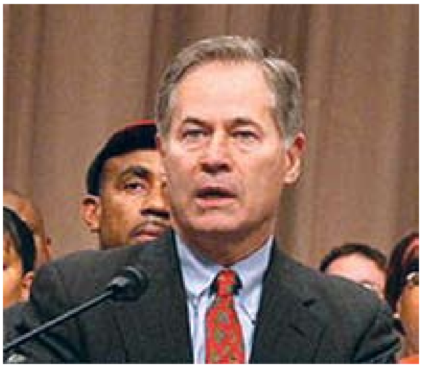

VOA/Li Bao

Three-term Republican Sen. Robert Bennett of Utah (left), and 14-term Rep. Alan Mollohan, Democrat of West Virginia, are the first victims of the 2010 mass strike tidal wave threatening to sweep every incumbent from office in this election year.