WHAT COMES AFTER THE END OF THE EURO SYSTEM?

It's High Time To Panic, Chancellor Merkel!

by Helga Zepp-LaRouche

Sept. 16—In response to the imminent meltdown of the global financial system, manifested in recent weeks by the 32% decline of the DAX, dramatic losses in bank stocks, wild fluctuations on the stock markets, and the threatened fall of the Damocles sword—the insolvency of Greece—the U.S. Federal Reserve decided to drown all these problems in a vast flood of dollar bills. Along with the European Central Bank (ECB) and the central banks of Britain, Japan, and Switzerland, the Fed is promising to provide all banks with unlimited (!) dollar loans, initially until March 2012.

Thus, the five most important central banks in the world are following precisely the policy of the Reichsbank in Weimar Germany in the second half of 1923: hyperinflationary money-printing! The only difference is that this time it is not just for one country, but the whole trans-Atlantic region.

As if this policy were not hyperinflationary enough, Reuters reports that U.S. Treasury Secretary Tim Geithner proposed to the EU finance ministers that they leverage the European Financial Stability Facility's (EFSF) EU440 billion in funds by a 10:1 ratio, making available EU4.4 trillion to rescue insolvent states or their creditor banks. The model for this would be the U.S. TALF program (Term Asset-Backed Securities Loan Facility), which was established in 2008 by the U.S. Treasury and the Fed to resuscitate the securities market, and which officially issued a trillion dollars in loans; it may have been much more, as suggested by Neil Barofsky, the former inspector general of the Troubled Asset Relief Program (TARP). This miraculous multiplication of money is also supposed to "save" countries such as Spain, Italy, Belgium, and even France, if necessary.

Statements at press time by Austrian Finance Minister Maria Fekter and Luxembourg Prime Minister Jean-Claude Juncker indicate that there was a considerable clash between Geithner and the EU representatives over the new stimulus program, which they rejected. In any case there are significant legal obstacles to a bailout plan on the TALF model for expanding the EFSF; but in view of the unprecedented violations of law and breaches of contract by European governments since the outbreak of the financial crisis in 2007, unfortunately legal obstacles do not constitute an ironclad guarantee.

At least Juncker said, concerning Geithner's proposal that the EFSF use bond purchases as a lever, that the Eurogroup does not discuss expansion of the EFSF with non-member states. It remains to be seen whether these are just two overinflated egos clashing, or whether Juncker is admitting that the European policies, including his own openly admitted policy of deliberate deception of the population, have failed.

Fear and Foolishness

The Merkel government still does not seem to have noticed this, but the German population is responding to events that are perceived by many as an existential threat, with a mixture of fear, anger, depression, and sudden political awakening. A survey conducted by the YouGov Institute for the DPA press agency found that 82% (!) of respondents evaluate the Merkel government's crisis management as "rather bad," and two thirds oppose more rescue packages for Greece or another country. Given the daily-growing revolt in the parties of the governing coalition and the possibility of an imminent end to the Merkel era, the only answer to the Chancellor is to quote James Carville. Bill Clinton's former strategic advisor recently answered the question of what the White House should do in the face of poor poll results, with the laconic reply: "It's time to panic!... Fire somebody. No—fire a lot of people. This may be news to you, but this is not going well.... Why are we still looking at the same political and economic advisers that got us into this mess?"

Whether Merkel is intelligent enough to do that remains to be seen. Given the growing opposition to continuing the emergency parachutes, the EFSF and ESM (European Stability Mechanism), the vote in the Bundestag will not occur in September as planned, but probably not until October, or perhaps not at all, depending on how the membership vote goes in the FDP, or how the revolt in the Union parties shapes up, or the general failure of the euro in the context of sudden shocks caused by the systemic crisis.

Supporters of the EU Empire will try every possible type of intimidation to get the population to accept an EU super-state, from repeating the phrase "nervousness of the markets" *ad nauseam*, to presenting the absurd notion that the alternative to the euro would be new wars in Europe, as the Polish Finance Minister has just now proclaimed. Who, pray tell, would wage war against whom in Europe? Neither the Swiss Army nor the Engineer Corps have any reason to fear Steinbrück's cavalry.[1]

The most one has to fear is the blockheaded refusal of the euro advocates to listen to reason, culminating recently in the utopian idea that only a European economic government and euro bonds (Social Democratic Party [SPD] and Greens), or a United States of Europe (Obama), could solve the problem. The proposals from the SPD and the Greens threaten to transform Europe into a transfer union, in which a dramatically impoverished population, in a deindustrialized Germany, is supposed to play the role of paymaster for the rest of Europe—a population which, this coming Winter at the latest, will also be living in the dark, if, because of the "energy transition" to "renewable" energy sources," there are blackouts lasting for days on end, shutting down economic and social life.

Get Out of the Monetarist System

As long as European governments continue to try to muddle along within a thoroughly bankrupt monetarist system, the pace of collapse will increase. Already the rating agencies are circling like vultures over Italy, and they will devalue the Italian debt just as they have done with some of the largest French banks. The insolvency of Greece and other nations is by no means a question of "whether," but only of "when" and "how."

All the scenarios currently being published about Greece leaving the euro or Germany's return to the D-Mark, which come to the conclusion that this would be the most expensive and worst solution, reflect only that the scenarios' authors are stuck in monetarist thinking. It is certain that the inability of the political establishment to treat the general welfare as a priority, and especially to solve the problem of huge youth unemployment in many countries, while instead making themselves the lackeys of unscrupulous financial capital, represents the greatest threat to social peace. Even New York Mayor Michael Bloomberg has recently warned that there will be riots if the Obama Administration does not immediately do something to create jobs.

As long as the European countries, deprived of their sovereignty, languish under the imperial diktat of the EU, no initiative can be expected from Europe to solve its own problems, let alone those of the world. The situation is quite different in the U.S., where the momentum for reinstatement of the Glass-Steagall standard is growing daily. Rep. Marcy Kaptur's (D-Ohio) bill H.R. 1489 has 40 co-sponsors so far, and the support of dozens of national, regional, and local organizations. The tradition of Franklin D. Roosevelt, who got the United States out of the Depression of the 1930s with the combination of Glass-Steagall, the

1. Then-German Finance Minister Peer Steinbrück (Social Democratic Party) in 2009 created a diplomatic uproar when he accused the Swiss of being like "Indians" who were intimidated by the financial cavalry into loosening their bank secrecy laws.

Pecora Commission, the New Deal, the TVA infrastructure program, and Bretton Woods, is today more alive than most people in Europe, who are deliberately kept in ignorance by the media, can imagine. A sudden, swift enactment of the Glass-Steagall Act in America is a realistic possibility, and Europe's only chance is to prepare to introduce a similar, two-tier banking system.

The Alternative: Build!

There are currently ongoing discussions among patriotic forces in the United States, Russia, and China about how the 21st Century should be shaped, which are characterized by a spirit very different than the petty haggling about debt brakes, burden sharing, or raising the retirement age—i.e., the administration of a shrinking pie. The issues at stake in the future are those such as how to secure the raw material and energy security of mankind for the next hundred years, by developing the infrastructure of Russia's Far East and Arctic regions in the context of building of NAWAPA (the proposed North American Water and Power Alliance), the construction of the tunnel under the Bering Strait between Alaska and Siberia, as well as the construction of new cities under permafrost conditions, and Cosmodromes, and space stations for manned space flight in the 21st Century.

Germany has no future in a collapsing Eurozone, nor as paymaster of the rest of Europe, which threatens to sink into chaos. In a world, however, in which the banks play their proper role again in the service of industry, agriculture, and trade; in which long-term—i.e., 25- or 50-year—development projects are being financed; in which Germany resumes its identity as the land of poets, thinkers, and inventors, then Germany has a bright future ahead.

The time for decision is here: either a descent into a new dark age, or a new world of equal, sovereign republics, which are joined to one another by the common aims of mankind. That is the question that the movement associated worldwide with Lyndon LaRouche has been grappling with for 40 years, and which can now be seen by every thinking person. No one should remain an onlooker at this moment in history.

This article was translated from German.