While Panic Grows, Leading Germans Moot Glass-Steagall

by Our Wiesbaden Bureau

Aug. 13—Officially, the European banking establishment has declared the postponement of the euro crisis until early September, when the Summer holidays end. In reality, the battle is currently raging throughout the continent over how to resolve that deepening crisis, which is literally killing the nations of Greece and Spain: specifically, whether governments will be panicked into submitting to a European "monster-state," as Helga Zepp-LaRouche describes it, or whether sufficient political forces will emerge to shift the direction to Glass-Steagall-style banking separation, and the revival of scientific progress, as dramatized with the landing of the Curiosity science lab on Mars.

Germany has emerged as the major political battleground over these two alternatives. One side of the fight is reflected in the intensified drive for a "United States of Europe," in effect, a supranational dictatorship, which has now been publicly endorsed by Social Democratic Party (SPD) chairman Sigmar Gabriel, and presented as the platform for a potential Grand Coalition to replace the current Merkel government. The other side is expressed in an increasingly vocal and high-level faction coming out in favor of Glass-Steagall.

Over the last two weeks, this faction has included the weekly magazine *Der Spiegel,* the German government's international broadcasting agency Deutsche Welle, and numerous Members of Parliament. In a related development, an Austrian economist, Karl Socher, writing in the influential Swiss paper *Neue Zürcher Zeitung*, endorsed a return to Glass-Steagall, and junking the doomed euro.

Creating the Panic

The bankers who want to maintain the current monetarist system—at the expense of national sovereignty and human life—are basically following the policy outlined at the Bilderberg Group meeting held in Virginia earlier this Summer. That policy called for utilizing (actually creating) the growing panic over the failures of the current bailout policy, to ram through their scenarios for banking union, eurobonds, and a United States of Europe. That panic is expected to hit big time on Sept. 12, when the German Constitutional Court is scheduled to rule on the constitutionality of the permanent bailout and no-sovereignty institution called the European Security Mechanism. There is a possibility the Court will nix the ESM.

In preparation, the propaganda for "more Europe" to save the euro, is coming on hot and heavy. In an interview with the weekly *Die Zeit* published the first week in August, that scoundrel Tony Blair weighed in behind European Central Bank (ECB) chairman Mario Draghi's calls for hyperinflation, and a "powerful political change of the European Union," in the direction of centralized power. It was in the same vein that SPD chairman Gabriel's proposals were made.

A memorandum published by the SPD leadership in the Aug. 4-5 *Frankfurter Allgemeine Zeitung* first denies the reality of the euro crisis, saying that the problem is only the absence of state financing, due to the lack of full European integration. It warns against a "return to monetary nationalism," and calls for an all-EU debt guarantee fund, and a real EU constitution, voted in by a convention of delegates from all the EU countries. "More European integration brings more sovereignty," the paper lies.

This maneuver is supposed to be achieved by the creation of a new German government, a grand coalition between the SPD and the ruling Christian Democrats—allegedly possible because leading spokesmen for the CDU coalition have already floated similar proposals.

The Glass-Steagall Alternative

The more politicians blather on about "more Europe," however, the more sane policymakers look at the physical and financial devastation caused by the euro system, and call for the return to national banking systems under a Glass-Steagall system of banking separation—separating the gambling banks and debts, from commercial banking activity.

One stunning example came on July 30, when that week's print edition of *Der Spiegel*, one of the biggest news magazines in Europe, carried an editorial by editor-in-chief Georg Mascolo titled "Separate the Banks." He reported on former Citibank chairman Sanford Weill's conversion to Glass-Steagall, and said that Glass-Steagall should never have been repealed. So far, he claimed, there is not yet enough support for its revival, even if a "smart" German DAX CEO like Nikolaus von Bomhard (Munich Re) also wants to eliminate "the system's construction error."

To those who object (including in the economics section of *Spiegel*), he said that Deutsche Bank will have to find itself another business model, but the pros clearly are more than the cons. The famous argument that Lehman Borthers was purely an investment bank and would have had to be saved regardless of Glass-Steagall, is true—but only in the present system. If you had a strict separation of banks, it is highly probable that Lehman Brothers' collapse would not have affected the whole financial system. Mascolo called for a swift implementation of Glass-Steagall, and said "It could be quick and *it must be quick*" (emphasis added). He wrote:

"The Glass-Steagall Act became possible because a U.S. Senate commission had exposed the stupid, risky and sometimes criminal behavior of banks before the Great Depression. The outrage over it cleared the way for the law. Sometimes history does repeat itself. Glass-Steagall served the world well for decades; it would have been better to have never repealed the law. Now it is time to correct this mistake."

To make sure this policy statement wasn't missed internationally, *Spiegel* also posted the editorial in English.

Equally dramatic, was a lengthy article published Aug. 10 by Deutsche Welle, the official international broadcasting agency of the German government, which strongly promoted a return to breaking up the banks Glass-Steagall style. "Can Breaking Up Banks Fix the Financial Crisis?" the article asked, and then proceeded to say how a reinstatement of Glass-Steagall is "on the table in the United States and Germany: separating risky investment activities from everyday banking." The article then reviewed the various sides of the debate in Germany, as well as the history of Glass-Steagall, with a decided bias toward its reinstatement.

Taxpayers Should Not Foot the Bill

This ferment is also evident in the German parliament, where anti-bailout sentiment is high, and discussion of the alternative policy is active behind the scenes, largely due to the activity of the German LaRouche movement, headed by Zepp-LaRouche. On Aug. 13 Michael Fuchs, economic policy spokesman of the Christian Democrats and a vice chairman of the CDU parliamentary group in the Bundestag, in an interview with the *Handelsblatt* business daily, said that the Libor and Euribor scandals, along with other incidents on the financial markets, not only call for harsh juridical and other consequences, including at the top of Deutsche Bank, but there must be banking separation to make sure that "taypayers don't foot the bill for the risky deals of the investment bankers."

German LaRouche movement organizers assess the situation as overripe for the introduction of legislation for full banking separation (the German way of referring to Glass-Steagall), as soon as even one courageous parliamentarian can be found to do so. Such a shift in Germany, the strongest economy in Europe, could rapidly shift the situation in the entire continent—where the LaRouche movement has already laid the groundwork for the Glass-Steagall reform.