

Berlin Must Apply the Glass-Steagall Standard, To Avoid Ungovernability

by Helga Zepp-LaRouche

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German Chancellor Angela Merkel began her speech before Parliament on Nov. 10, 2009, by promising a “ruthless analysis of the situation in our country,” and stressing that, if mistakes are made in the analysis, “it will be very difficult to correct them.” While she was certainly right on the latter point, she delivered no “ruthless analysis” in the speech that followed. That would have meant recognizing that the three G20 summits since Nov. 15, 2008, which were held in Washington, London, and Pittsburgh, did absolutely nothing to put an end to the casino economy. On the contrary, the gambling is wilder than ever.

Not only would such an analysis have mentioned the acute danger of a new mega-crash, but the Chancellor would have “ruthlessly” announced measures to bring the problem under control, for example the introduction of a Glass-Steagall standard into the banking system—i.e., the strict separation of commercial banks from investment banks, as is now being discussed in several countries. A “ruthless analysis” would also have to recognize that when the Lisbon Treaty comes into force on Dec. 1, the last vestiges of German sovereignty will be handed over to an organization that has just made itself the advocate of the financial sector. She did not do so.

The Banks Determine Policy

Banks and financial institutions have proven that they control governments, and not the other way around. As a result, speculators are making more money than ever before, and the free fall of the real economy continues. Just one example: German shipbuilding collapsed by 90% in the first nine months of this year! And while the European Central Bank is

helping to relaunch securitization markets, new bubbles are being created, which are bound to burst in short order: commercial real estate in the U.S., the dollar carry-trade, and the credit default swap market, just to name a few.

Given the existing level of public indebtedness—with countries such as the U.S., Japan, and Great Britain threatened with national bankruptcy in the short term—new bailout packages for the banks after the next mega-crash are all but excluded. Then comes the descent into chaos, and the worst imaginable scenario, in which the population has lost all hope that governments can bring the situation under control, and intend to defend the general welfare. Ungovernability could set in very quickly.

On Nov. 9, the Einstein Institute held a conference titled “Falling Walls,” where Mrs. Merkel ominously stated that everything depends on the question: “Are nation-states willing and able to hand over their powers to multilateral organizations, whatever the cost?” She said we should “realize that globalization is an opportunity.” And for Angela Merkel, of course, the EU is the instrument by which Europe’s interests can be better defended, in the globalized world “where the cards will be reshuffled.”

The *Neue Rheinische Zeitung* of Nov. 13 reported on a new study by the organization ALTER-EU titled “A Captive Commission: The Role of the Financial Industry in Shaping EU Regulation.” It shows in detail how lobbyists from the world of finance shape regulations in the European Union: “The great majority of the European Commission’s financial advisors come from the very banks and corporations that are responsible for the financial crisis,” the online newspaper wrote. “The 19 expert groups for financial policy are dominated by representatives of the financial sector. They make proposals for regulation of banks, hedge funds, and tax havens, for rating agencies, and accounting systems.

They even outnumber the EU civil servants in this field. They outnumber by four to one representatives from academia, consumer groups, civil society, and trade unions.” (There are also droves of such “advisors” in Berlin!)

With such backing, the Commission allowed the banks themselves to assess the level of risk of their investments, approved only a minimal tightening of the rules on hedge fund regulation, and took the advice of the credit rating agencies in deciding that no rules on ratings were needed.

Imperial World Government

Mrs. Merkel, who recently admitted that governments had been blackmailed by the banks during the crisis, is apparently under so much pressure that she felt obliged to promote a world government. The concept of a world government goes back to people like H.G. Wells, Bernard Baruch, and Bertrand Russell, and is, in the final analysis, no different from the British Empire, if it is understood to be a world controlled by banks and cartels, with maximum profit for a few at the cost of the general public.

Now, the EU, which Mrs. Merkel has so highly praised, is promoting cooperation among member countries in health care, along the model of the British QALY (Quality-Adjusted Life Year), so that patients “benefit from the most effective health treatments without jeopardizing the financial sustainability of health systems.” When this Orwellian doublespeak is translated, it simply means that certain categories of patients are deemed “lives unworthy to be lived”—the same euthanasia that is being practiced in Great Britain.

Under the Lisbon Treaty, the rules of globalization, free trade, and maximum profits for the banks and cartels will apply to all sectors of political and economic life. This will constrict and repress individual groups’ interests and scope for action, to the point of endangering their means of existence. That is true for farmers, physicians, patients, Opel workers, and small, independent companies. However, it is to be expected that the population will not accept the straitjacket of EU dictatorship in the long run. For a policy that runs so fundamentally counter to the interests of the member countries, and of so many segments of the population, are we supposed to begin paying direct taxes to Brussels in the near future? No thanks!

Here in Germany, the five “economic wise men” [German Council of Economic Experts] harshly criti-

cized the new government’s planned economic policy in their recently released annual report. They argue correctly that, given the huge holes in the budget, uncompensated tax cuts are incompatible with orthodox financial policy, an argument mainly targetting the tax cut proposals of the Free Democratic Party. But the proposals of these so-called wise men—who neither forecast the crisis, nor recognized how serious it was, even long after it was in progress, and whose credibility has been battered—are also totally incompetent. They are proposing sharp cuts in public spending and a rise in taxes and other levies—without even mentioning the problem of the casino economy. They also plan to have the population shoulder the costs of the bank bailouts.

It has now dawned on Eric Le Boucher, editor-in-chief of the French daily *Les Echos*, that the straw is about to break the camel’s back. He just warned that if bankers are not reined in, the hour of the “radical” proponents of the Glass-Steagall standard will soon come in, and he cited former U.S. Federal Reserve chairman Paul Volcker as an example. It’s certainly true that the swindle of the so-called bailouts should be ended immediately. Banks should be put through bankruptcy reorganization, with the help of a reactivated Glass-Steagall standard, so as to protect those parts of the banking sector linked to the real economy and the common good, and to isolate them from the parasitic parts of the financial sector.

In all likelihood, the Lisbon Treaty will come into effect on Dec. 1, 2009—a treaty that the governments were only able to ram through by massively deceiving the people. The Treaty means that national sovereignty in the member countries will be almost entirely wiped out. Czech President Vaclav Klaus was the only head of state honest enough to state so in public. The former President of Latvia, Vaira Vike Freiberga, called on the EU to stop operating behind closed doors, and accused it of being worse than the former Soviet Union.

It will become obvious very soon just how unrealistic this policy is. Life punishes those who arrive too late.

In the next phase of the systemic crisis, which will come just as surely as the Amen at the end of a prayer, only the alliance among the United States, Russia, China, and India, which is still in the making, offers a true alternative for Europe. Participation of sovereign European nations in a new credit system will then prove to be a welcome way out.