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A European Economic Break Is Seen as Option Against War

by Paul Gallagher

In the policy confrontation between the warhawks of the United States and Britain on one hand, and the broad resistance of "old Europe" to an imperial war on the other, all the nations involved on both sides share one absolute fundamental: Their economies are all breaking down into depression, and their government revenues at all levels are collapsing. The world financial and economic breakdown is hitting very hard from the Americas to Japan; the ruling dollar currency is in a steep decline; and grim economic context is dramatizing the insanity of the Anglo-American war plans in the eyes of the Eurasian nations resisting them. Europe, and also Russia and even China, can't economically survive the "new dark age" effects of a Clash of Civilizations war. And the United States itself can successfully start such a war, but not successfully end it and win a peace; its soldiers may come back from an Iraq war, but its economy will not.

Emergency Program Considered

In the last two weeks of February, not only will war or peace be decided. The issue of whether these nations break from the free-trade-and-globalization straitjacket, has come to the front burner in the process. During the second week of the month, reports began to surface in Europe of a "New Deal" economic strategy of large public investments in infrastructure, as a defense against currency and market chaos in the event of spreading Mideast war. This option reportedly would start by breaking up the European Union's Maastricht "Stabilization Pact" as a barrier to recovery. Thus, as U.S. Presidential pre-candidate Lyndon LaRouche noted Feb. 12, it is also an implicit act of European blackmail against an Anglo-American war—set off the war fuse, and we abandon the financial system.

"G-7 Plans Economic Emergency Program in Case of War," headlined the German edition of the *Financial Times* on Feb. 10. The London-based financial daily referred to a Reuters wire which quoted unnamed Group of Seven officials, as well as a note in the same week's issue of Germany's *Der Spiegel.*

According to these sources, the G-7 governments would coordinate announcements of new public infrastructure programs to counter crashing corporate investments once a war starts. More importantly, the expenditures reportedly would be financed not by taxes, but by issuances of new state debt specifically for infrastructure projects—the model of Germany's Kreditanstalt für Wiederaufbau (KfW).

Obstacles, like the Euro Stability Pact of the 1994 Maastricht Treaty system, would be "temporarily" lifted, according to the wire reports, which reflect leaks from European governments. The European Union ruling body, the European Commission (EC), has already signalled its okay. It was actually EC President Romano Prodi of Italy, who branded the Stability Pact "stupid" late last year, because it was blocking urgently needed public recovery credit with its rigid 3% limit on public debt-to-GDP ratios. The Italian government has circulated the idea of such a "New Deal" of public works for Europe, since September, when the Italian Chamber of Deputies voted for LaRouche's idea of a "New Bretton Woods" change of the system.

In the case of Germany, where official unemployment is now well above 10% and rising, and production falling across the board, an expansion of municipal infrastructure investments, as well as the construction of new schools, would be in the center of the emergency program. Details will be worked out at the G-7 summit of finance ministers and central

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When the French and German leaders met on the "Elysée Treaty" anniversary Jan. 23, they discussed more than opposing an Iraq war in the UN Security Council. They are now moving to set up infrastructure investment funds and break the Maastricht Stability Pact straitjacket in the event of war—an implicit economic blackmail against the Anglo-American war drive.

bank heads in late February—if the group of seven "industrial countries"—United States, Great Britain, Canada, France, Italy, Germany, and Japan—holds together that long.

Along with the French and Italian, there are now also government probes in Germany—the most hidebound Maastricht "obedient" up to now—of options for at least a partial suspension of the Maastricht Treaty. German Chancellor Gerhard Schröder is reported to have told his Social Democratic Party's national executive at their weekly session in Berlin on Feb. 10, that he is consulting with the French on ways to ease the budgeting ceilings, in order to create room for economic incentives and infrastructure construction.

Especially the "Maastricht criteria" for a maximal 3% of GDP public sector deficit cannot be kept in this present crisis situation, Schröder said, and if one takes all the uncertainties implied in an Iraq war into account, a suspension of the treaty is required. The Brussels-based EC has been contacted by France and Germany to this purpose already.

A spokesman for EC President Prodi confirmed that the next day, adding that a partial suspension is, indeed, an option to which the Commission would not object, should the economic conditions in the EU worsen in the near future—as they certainly will, absent a complete change of economic policy axioms in the indicated direction.

Dollar's Fall Involved

The urgent need for some means of making the recent rushes of international funds out of the declining dollar into gold, for example, into an orderly reinvestment in economic recovery, is also involved in this "New Deal" idea. "The coming dollar crash," wrote former Dresdner Bank chief economist Kurt Richebächer in his monthly newsletter for February, is "definitely the single most important question for the world economy and world investors. It is really the greatest wild card in the world economic outlook. After a very slow start, the dollar's decline has been gaining momentum. But where will it end? Could last year's dollar retreat turn into a dollar crash, possibly with disastrous implications for the U.S. financial markets, if not for the whole financial system?"

Richebächer's answer was straightforward: "The dollar is effectively out of control. There is no way to say where it may bottom." The "extreme monetary looseness" by the Federal Reserve "created a whole variety of bubbles. The dollar bubble was one of them, and all bubbles infallibly burst. Considering the incredible size of the excesses and imbalances that have accumulated in the U.S. economy and its financial system, there is certainly potential for an uncontrollable crash of the dollar" which could turn out to be a "dollar apocalypse."

Richebächer then came to the point: Some argue that markets outside the United States are "too small to absorb the large capital outflows from the United States accruing from a flight out of the sinking dollar." They are right, says the economist, and this only makes matters dramatically worse.

This makes it essential that new flows of public credits for productive, large-scale infrastructure development be created, by treaty agreement among nations or the equivalent: a New Bretton Woods. For Europe this means Eurasian-wide land-bridge and other development corridors, together with Russia and India and anchored by the very rapid investment of public bonds in new infrastructure in China. Germany's technology-sharing with China in the new magnetically-levitated rail systems there, represents the real hope of the "New Deal," as LaRouche stressed during his January visit to India and his Jan. 28 State of the Union address.