Replacing Maastricht Depends on Germany

by Rainer Apel

The first "State of Germany" address delivered on Nov. 30 by the new German Chancellor, Christian Democrat Angela Merkel, lacked any substantive reference to the reality of the global economic depression and related political aspects. It did reflect, however, the increasing crisis of the European Union, which has erupted over the non-decision of the member governments on the EU common budget. That adds a third deep crisis to the other two crises that keep Europe paralyzed: the growing resistance to the defunct Maastricht budgeting control system, and the failure of the European Constitution project. The latter also has to do with the building resentments against the Maastricht-related effects of budget cuts on the broader population.

The British-led rotating half-year chairmanship of the EU, which ends on Dec. 31, is viewed as a disaster. British Prime Minister Tony Blair tried every trick in the book to let the budget debate fail, because it included a cancellation timetable for the special EU "British rebate." Even longtime allies of Britain in the European Union, including Poland as the leading among the 10 new Eastern European members of the EU, have begun to attack Blair's policy course harshly. And, in a very indicative shift, the Prime Minister of Luxembourg, Jean-Claude Juncker, traditionally in the pro-British camp of financial and monetary policies, has surfaced as a leading, even daily, critic of Blair in Europe's west, charging him with incompetence and sabotage.

Juncker met with Chancellor Merkel, and he voiced hopes that she would intervene now, to lead the EU out of its growing paralysis. In terms of EU finances, Germany is crucial, because it is the single largest contributor of funds, representing 26% of the total EU budget. Blair's anti-EU tactics have discredited the British reputation so much that for the first time in many years, the doors are wide open in Europe for a meaningful initiative coming from the Germans.

The first big problem that the new German government must solve, is the fact that the Maastricht system is defunct; it needs urgent replacement. Any loyalty to the system that goes beyond the usual lip-service that sometime in 2007, the German budget would become compatible with the Maastricht rules again, would lead straight to disaster. The new German government has shown a sane impulse, declaring that in 2006, it will have no alternative but to give priority to new investments over budget consolidation. The measures that the government has announced are quite insufficient, because the proposed 6 billion euros of investments annually will not make a big difference. But the announcement itself, that investments do have priority, has provoked the hard-line monetarists into loud protests. And on Nov. 17, the international rating agency Standard & Poor's issued a warning to the new German government that if it delayed deep new budget cuts, it would be punished by the financial markets.

Central Bank and the Neo-Cons Worried

That same day, Axel Weber, governor of the German central bank (Bundesbank), issued a statement saying that the Grand Coalition was on the wrong track. The coalition's intent to borrow massively in 2006, for the beginning phase of its 25 billion euro investment program, and to defer the Maastricht criteria until 2007, was the wrong signal to the "markets," Weber said. If the coalition government intended to evoke Article 115 of the German constitution (for periods of "grave imbalances of the economy"), as a way to justify this additional borrowing—instead of cutting budgets and proceeding with "reforms," Weber stated, the new German government was ill-advised.

And on Nov. 21, the day before Merkel was sworn in as Chancellor, Weber presented the new monthly report by the Bundesbank to the press and intensified his attacks on the government. "If the deficit [in 2006] is above the 3% GDP mark [as set by Maastricht] again, an escalation of the deficit procedure is required," stated the Bundesbank, and it called on the Brussels EU Commission to speed up the sanctions process provided by the Maastricht Doctrine. These sanctions, according to experts, would impose a fine of more than 10 billion euros on Germany. The Bundesbank argued that sanctions were all the more urgent because continued German neglect of the Maastricht criteria would set a negative precedent for further erosion of the system.

And just hours before Chancellor Merkel's state of the union address, Jeffrey Gedmin, head of the Berlin Aspen Institute and a leading spokesman of the "political platoon" of the American neo-cons in Germany, stated that there was too much Social Democracy in Merkel's government; therefore, he would give her no more than two years to last in office.

Such aggressive music from the monetarists and neo-cons against the new German government indicates that the Grand Coalition does have a potential that scares the financial market speculators. That potential is largely untapped, so far, but it is there.

How to fill this vacuum will be discussed at a strategic seminar of *EIR,* featuring Lyndon LaRouche, in Berlin on Dec. 6-7. The seminar occurs as labor unionists from productive industrial firms which management and shareholders want to shut down, have begun a mobilization not only in defense of their jobs, but also for the reindustrialization of Berlin.

© 2005 EIR News Service Inc. All Rights Reserved. Reproduction in whole or in part without permission strictly prohibited.