political storm inside France. Many say the central bank is more concerned with tracking the mark to prepare for Maastricht entry, than with future growth of the French economy. Many blame the high interest rates of the Bank of France, designed to keep the franc stable, for the alarming weakness of the French economy in the past several years. That economic weakness, in turn, increases the public deficit.

If France continues to press for convergence, it risks "civil war," one French banker said, because unemployment would be forced even higher with government budget cuts and privatizations, in order to meet the 1997 deadline. Public employee unions have already planned strikes for late October to protest planned government wage austerity, designed to cut the deficit.

S.J. Lewis, a City of London economist familiar with the French situation, stated, "The government's budget projections rest on wildly optimistic forecasts about French economic growth. The opposite, I feel, is more likely. The French situation puts the entire Maastricht scheme into grave doubt at this point." Lewis's doubts on French eligibility were echoed recently by a member of the Bundesbank board, Reimut Jochimsen, and reportedly also by German Finance Minister Theo Waigel.

Debate intensifies

Realization that not even France may be able to meet the targets, is creating a new anti-Maastricht backlash across Europe. In Sweden, which joined the EU only this year, voters recently firmly rejected the pro-Maastricht political parties in elections for European Parliament, and Sweden is now asking to be left out of the new currency bloc indefinitely. Already, Britain and Denmark have such an "opt-out" right granted to them, a concession to try to keep the overall Maastricht goal intact.

Italy, which just signalled that it wanted to rejoin the EMU, was singled out in unprecedented remarks by Waigel on Sept. 19. Waigel told a Parliament committee that when the first countries form the EMU and single currency, "Italy will not be among them, and they know it." The reaction of financial markets to Waigel's remarks was to dump liras and buy marks, throwing the entire Maastricht debate wide open. Public statements of harmony issued in Mallorca are not being taken seriously by financial traders.

To further guarantee adherence to the Maastricht goals, Waigel has also demanded a separate treaty be signed, which would bind members of the EMU to hold to the 3% deficit and 60% debt levels, after entering the EMU. The Germans worry that many of its neighbors plan to "cheat" once they are in the EMU, and to again increase budget deficits, and wants binding sanctions for such cheating. Tietmeyer has come out supporting Waigel's call for strict adherence criteria.

The Germans are concerned that they would have to pay for the excesses of high-deficit countries such as Italy, or even France, if the new single currency is to be stable. The president of Germany's Savings Banks Association, Horst Koehler, underscored the problem when he stated recently, "The ambitious goal of a European Economic and Monetary Union can only be reached if the single European currency is also a stable currency. For this reason there must be no foul compromises made. Convergence criteria cannot be reached by citing a 'tendency' to converge. The criteria must be stringent and permanent. If the currency is not begun with confidence in its continuing stability, this could lead to enormous internal frictions with negative consequences for economic activity, as well as the European integration process." Until recently, Koehler was the leading civil servant in the Finance Ministry dealing with such issues as the EMU.

"The need for a strong alternative to the dollar is what has been driving the push to EMU and a single European currency," said one French banker. "But the problem is that the central banks' accounting approach to achieve it makes no allowance for effects on the real economy. The force behind the EMU today are the large European banks and insurance companies, who want a bigger playing field, but industry is more and more skeptical."

Today, the dream of many European States, of creating a single currency to rival the dollar, is turning into a nightmare. Heads of state of the EU member countries must meet before the end of 1996, to decide the final timetable to implement the EMU and single currency. Short of an economic miracle, the effort looks precarious.

Correction:

There were two typographical errors in Figure 4 of "The End of an Era: It's Time for LaRouche's Remedies," by Chris White, in the Sept. 15 issue of *EIR*, page 7. Below is the corrected chart.

FIGURE 4

Input-output matrix for 1967

(percentage of total)

	Inputs				
End-use	Final	Inter-mediate	Raw material	Infra-structure	Total
Producers' goods	2%	12%	3%	8%	25%
Producers' overhead	4%	4%	1%	6%	14%
Household goods	6%	7%	2%	8%	23%
Household overhead	10%	11%	3%	14%	38%
Total	23%	33%	8%	36%	100%