

# Denmark Prepares To Reject Euro Currency

by Poul E. Rasmussen

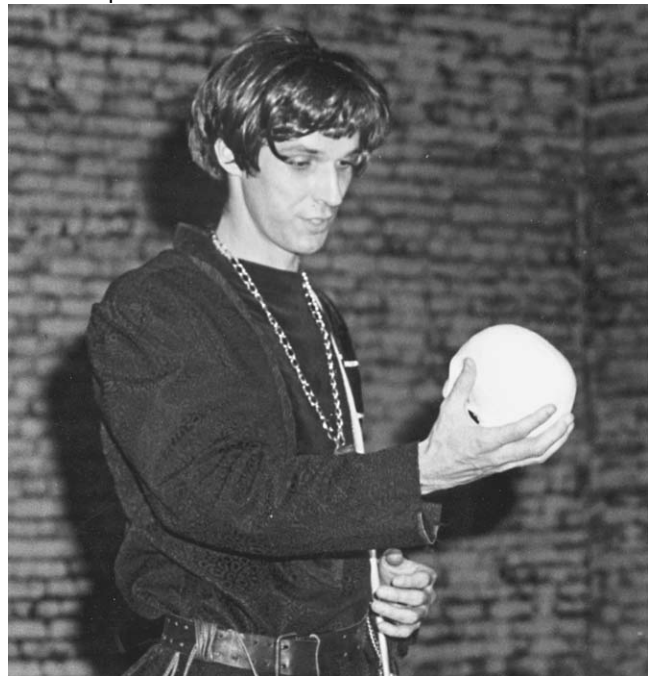
The beleaguered euro might face another severe punch to the stomach on Sept. 28, when the Danes go to the polls to decide whether Denmark should join the European single currency. Just one week ahead of the referendum, opinion polls show a comfortable lead to the “no” side. According to a Gallup Institute poll on Sept. 20, published by the daily *Berlingske Tidende* and Danish Radio, 49% will vote “no,” and only 38% “yes,” with 13% still undecided. Other polls by other institutes show a similar distribution of votes.

A Danish snub to the euro could hardly have come at a more critical time. On Sept. 19, International Monetary Fund Managing Director Horst Köhler warned that a continued collapse of the euro could become a severe threat to global financial stability. Therefore, he called for a coordinated central bank intervention to prop up the euro. Under the present circumstances, this is a very difficult endeavor, which runs the risk of being rendered utterly fruitless, if the Danes give a thumbs down to the euro on Sept. 28.

Unfortunately, from a certain standpoint, this would be good news for Wall Street. Any strengthening of the euro at this moment would be seen as a weakening of the dollar. With a U.S. current account deficit out of control, a record private indebtedness, and increasing signs of hyperinflation within the U.S. economy, the slightest weakening of the dollar could trigger a stampede out of U.S. financial markets. So, at this moment, Wall Street has absolutely no interest in any move by any government or central bank which could strengthen a competitor to the dollar. The U.S. bubble economy is totally dependent upon an inflow of \$1 billion or more in cash from the rest of the world each and every day. Any appreciation of the euro could divert a portion of that cash flow away from the United States, and into the euro zone. Should that happen, all hell would break loose. In other words, Wall Street probably wouldn't mind a Danish rejection of the euro at the present moment.

## The Catch-22 Currency

However, it would be wrong to draw the simple conclusion that Denmark ought to join the euro in order to combat the powers that be on Wall Street. The European single currency is a Catch-22 project. In times of crisis, a country which has joined the euro, has the following choice between plague and cholera: either maintain the strict monetarist policies, as laid down in the original treaty, which grants the European Central Bank sole control over monetary policies, and thereby



*Hamlet, Prince of Denmark: “To be or not to be. . . .”*

endure the high unemployment and other social suffering this would bring about; or, break with the treaty (as proposed by France), and form a new supranational institution, which takes political control over both monetary and financial policies. In any case, the country has lost its political sovereignty.

It is this perspective, which more than anything else, has turned a majority of the Danes against the idea of Denmark joining the euro. The government, led by Social Democratic Prime Minister Poul Nyrup Rasmussen, argued that Denmark ought to join the common currency in order to protect the economy against international speculation. Obviously, the continuous slide of the euro has completely undermined that argument. On top of this, the Rasmussen government had made special efforts to assure the Danes that Denmark would not run any risk of having to give up political sovereignty, if the country entered a closer monetary and political union with the larger nations of Europe. The sanctions against Austria, imposed by all of the EU member states when Jörg Haider's Freedom Party joined the Austrian government, completely undermined the illusion of maintaining national political sovereignty.

The Danish chapter of the Schiller Institute is circulating a translation of Lyndon LaRouche's document, “On a Basket of Commodities: Trade without Currency,” as its contribution to the political debate leading up to the Sept. 28 referendum. The Schiller Institute points out, that Mr. LaRouche's warning to the nations of Asia, against falling into the trap of believing that they can protect themselves against a financial collapse by forming a basket of currencies to replace the dollar, is also relevant to the Danish discussion on whether or not to join the euro.