

naked short sales of stocks and government bonds, as well as unsecured credit default swaps. The news of this action sent some hard-nosed bankers into a state of shock, since they never would have thought that Germany, of all countries, would act unilaterally—at least on this point—to prevent the German taxpayer from having to pay the consequences of these short sales. Meanwhile, in Austria, Belgium, Holland, Switzerland, and the Czech Republic, there are signs that they may be ready to follow suit.

Obviously, the German government, by adopting this measure, was taking revenge for the massive pres-

sure that President Obama, British Prime Minister Gordon Brown, French President Nicolas Sarkozy, and EU Commission president José Manuel Barroso, had applied to Chancellor Merkel, who agreed to the EU750 billion rescue package, after long resisting it. The above-mentioned gentlemen were treading in the footsteps of Margaret Thatcher, François Mitterrand, and George H.W. Bush, who once pressured Chancellor Helmut Kohl, against his better judgment, to agree to the European Monetary Union—the euro—as the price for their acceptance of German reunification.

The Austrian daily *Die Presse* (May 15) spoke of a

## Chancellor Merkel Breaks the Mold

May 24—In a decisive action, which, while limited, puts the U.S. and other world leaders to shame, Germany’s Chancellor Angela Merkel reasserted Germany’s sovereignty, by ordering a unilateral ban on short selling of certain securities last week.

Germany’s financial market watchdog, the BaFin, banned, as of midnight May 18, all naked short sales of assets of the top ten financial institutions in Germany, among them, Allianz, Commerzbank, Deutsche Bank, and Deutsche Postbank, as well as of state bonds of the Eurozone countries and CDS on risks of Eurozone countries. The measure, taken unilaterally, provoked a storm of protest on financial markets internationally—not so much for the effects of the ban itself, as for the fact that Germany had taken the decision without first alerting other governments.

While the French government expressed official embarrassment at not being consulted by the Germans, other influential voices in France supported the move, such as Jean-François Kahn, publisher of the magazine *Marianne*. He wrote on May 19 that “Madame Merkel has taken a genuine measure to regulate financial markets,” while “you know who”—meaning French President Nicolas Sarkozy—has done nothing. “Let me remind you that in my own recent proposal for global financial reform, I called for prohibiting naked short selling, which is nothing but an organized way to ruin people’s sav-

ings and to make money on their backs.”

From a purely rational standpoint, Kahn wrote, “the Chancellor is absolutely right.”

The German ban also elicited respect from those in the U.S. Senate who are fighting for reestablishment of the Glass-Steagall Act, especially after Lyndon LaRouche issued a statement on May 19, welcoming the German move as showing a quality of leadership which President Barack Obama and his collaborators in the Senate lack. In the meantime, it seems that similar moves are being studied by Austria, Belgium, the Netherlands, Switzerland, and the Czech Republic.

German Finance Minister Wolfgang Schäuble made short shrift of the critics of the move, in an interview with the May 20 London *Financial Times*, saying that “if you want to dry the swamp out, you don’t ask the frogs first.” He went to denounce deregulated markets: “We must regulate over-the-counter transactions, and we must also focus on the ratio of financial transactions to the real exchange of goods and services. They bear no relationship to each other. I understand that we need new financial instruments to cope with the huge financial tasks that we face. But, forgive my saying so, minimum profits of 25% are simply unimaginable in the real economy. It isn’t healthy.”

In a statement issued a few hours after the ban went into effect, Helga Zepp-LaRouche welcomed the measure, saying that, “The flipped-out reactions to the decision of the BaFin,” should “serve as confirmation to Chancellor Merkel, that the German government has done the right thing.... It demonstrates that Germany still has a government.”

—EIR Staff