The Euro Is Rosemary's Baby! No Bailout for the Banks

by Helga Zepp-LaRouche

This statement, issued by the Civil Rights Solidarity Movement (BüSo,) is translated from German.

Nov. 26—Last Spring it was Greece which needed a bailout parachute, but now, hardly a day goes by without another country begging for one. No sooner had the troika of the International Monetary Fund, the European Central Bank, and the European Commission forced a bailout package on Ireland, than pressure came down on Portugal; and now there's talk of Spain, Italy, Belgium, and perhaps even France! And so, what was already clear at the outset, is now obvious to all: The freak baby called the euro is nearing its final demise. And the fault lies not with these nations themselves, but with the fact that the banks are bankrupt.

If we are to prevent German taxpayers from paying for the debt that the banks are holding over these nations—which would end up driving Germany itself into bankruptcy—then there is only one possible solution. First, a two-tiered banking system must be immediately implemented, by which the state will put commercial banks under its protection, supplying them with new credits, while the investment banks are left on their own to put their books into order—without taxpayer assistance. And if they can't handle that, they will just have to declare bankruptcy. Second, Germany must immediately quit the EU and the Eurozone, and must regain national sovereignty over its own currency, a new D-mark.

The idea proposed by various people, of stockpiling a bailout parachute with EU750 billion, EU1.25 trillion, or even EU1.5 trillion, would only result in an exceedingly brief postponement of the collapse, and would be yet another enormous step toward hyperinflation. Because such a stockpile would not be the last one: The austerity policy which the EU has imposed upon Greece, Ireland, Portugal, etc., is shrinking these countries' economy and workforce, and along with that, is undermining their ability to ever repay the debt. Meanwhile, because investors are fleeing from government bonds, the interest that these countries must pay continues to climb, and soon they will be simply unable to remain inside the Eurozone—or else they will need yet another bailout, requiring the stockpiling of yet another bailout parachute, etc., etc. And in no time, we'll have hyperinflation.

Where the Debts Came From

But let's take a look at who the beneficiaries of this financial windfall are—since it's certainly not the Greeks, the Irish, the Portuguese, etc., who have to accept enormous budget cuts. So, where did these enormous debts come from, anyway?

There are essentially two causes. The first has to do with the flawed basis on which the euro was constructed. Germany's early entry into a currency union was the price which Margaret Thatcher, François Mitterrand, and George Bush, Sr. demanded for their acceding to Germany's reunification. Behind this, from the very outset, lurked their intention to weaken Germany's economy and its political role, and to force it into the Maastricht Treaty corset. It was completely clear at the time, that one could not force strong industrial nations, such as Germany, into a currency union with primarily agriculturally oriented countries, unless there were a unified European political power to enforce it.

With the introduction of the euro, the so-called catch-up countries initially enjoyed an apparent boom, because, on the one hand, they enjoyed the benefits of credit which would not have been available to them otherwise, and on the other, they became targets for relocation of production, because they could produce more "cheaply"—for the time being, at least. Meanwhile, Germany allowed its domestic market to languish, held wages down, reduced social-welfare outlays, and, as "world export champion," supplied cross-financing both for the EU bureaucracy and for the catch-up nations.

But now, the catch-up countries' "boom" has been exposed as a mere bubble, and they have enormous debts piled up with the so-called core nations' banks. Germany's social system is collapsing from hidden unemployment, depressed wages, and the prospect of ever-diminishing technological innovation; yet despite this, Germany's taxpayers are now supposed to cough up even more for the banks.

The euro was Rosemary's Baby, the issue of the above-mentioned *ménage à trois*, Thatcher, Mitterrand, and Bush!

The second cause of this mountain of debt, is the deregulation of the financial markets. In 1999, in the United States, then-Treasury Secretary Larry Summers abolished the two-tier banking system, the so-called Glass-Steagall standard. In 2004, Germany's "red-green" [Social Democratic-Green party] government followed suit, giving free rein to the financial locusts' ravages. Whereas previously, regulated banks could expect a 4-5% return on investment, now the *Ackermänner*[1] are promising profit rates of 25% and more. Dubious, high-risk banking deals were moved abroad into so-called special purpose companies, to bypass all banking oversight. Such locations included Dublin, whence investment flowed into the unsound secondary mortgage market in the United States. For a while, banks and speculators reaped huge profits. The securitization market and derivatives contracts seemed to be a casino where everyone could come out a winner.

When this bubble finally burst in 2007, they could have just written off all the unsaleable paper in one fell swoop, as Lyndon LaRouche proposed at the time with his Homeowners and Bank Protection Act. But instead, Wall Street and the City of London rallied all their might to prevent that law from being adopted. Instead, one "bailout package" has followed another, in order to keep on refinancing this toxic financial waste. Since then, governments have plowed an estimated $25-30 trillion into these bailout packages.

And what about the speculators and the banks? No, they can keep smiling! Because they can always be certain that if anything goes awry, the taxpayers will pay for it, by reducing their standard of living. And so, they can proceed with confidence, making even higher-risk deals, since, after all, the governments of the G20 nations have shown themselves to be reliable, and in the course of five summits since November 2008, have done nothing to re-regulate the banks. And now they're blithely speculating in raw materials and agricultural raw products, even though this has already murdered millions of people in the so-called Third World.

The German Role

That is, with one exception: Germany's government has taken initial, tentative small steps toward throttling the game: its unilateral ban on naked short sales; its justifiable balking at the Greek crisis in view of the hyperinflation experience of 1923; Finance Minister Wolfgang Schaüble's criticism of the U.S. Federal Reserve's money-printing policy; and Germany's proposed "ordered restructuring" of debt—the so-called "haircut," whereby private creditors share the losses. All these steps, though they still fall far short of what is required, are at least moving in the right direction. Professor Kerber[2] is nevertheless correct when he speaks about the embezzlement of tax revenues. Indeed, it's quite likely that the Constitutional Court in Karlsruhe is going to declare further bailout packages unconstitutional, because they violate the Lisbon Treaty, which would more or less be

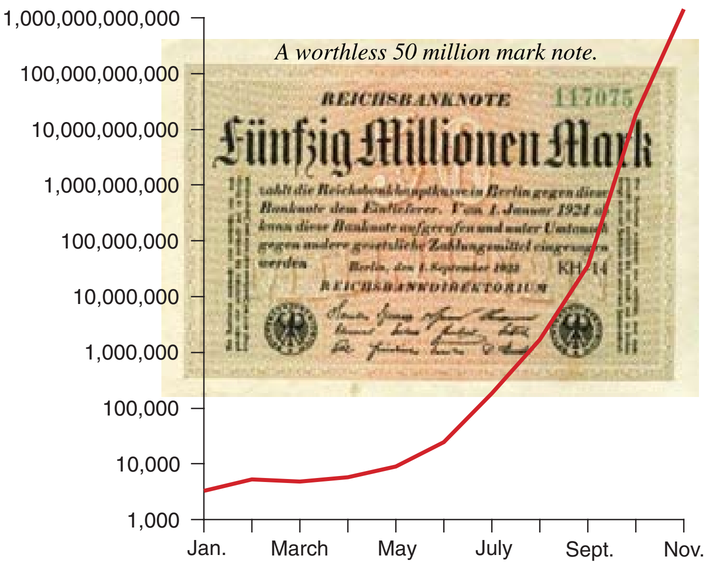
1. Untranslatable pun. Josef Ackermann is CEO of Deutsche Bank, and "ackermann" is an old German word for "peasant."

2 Prof. Dr. Markus C. Kerber, Technische Universität Berlin-Europolis.

FIGURE 4

Weimar Hyperinflation in 1923: Wholesale Prices (1913 = 1)

(logarithmic scale)



the end of the story.

These steps have provoked outbursts of rage from the City of London, which without the German taxpayer would go bankrupt, as well as from U.S. banks that have been insuring the European banks against eventual losses, and from the EU bureaucracy. For example, Jean-Claude Juncker, president of the Eurogroup, complains that Germany is slowly losing sight of Europe's general welfare.

How's that again? The German government takes an initial, entirely inadequate, mini-mini-step toward protecting the German population's general welfare from the brutal redistribution of wealth from poor to rich, and this Juncker speaks to us about the general welfare? Let's recall, once again, that it was this Juncker (whose name confirms the dictum "*Nomen est omen*"[3]) who, in 1999, revealed his twisted relationship to democracy, when he told a *Der Spiegel* interviewer, "We decide to do something, put it out there, and then wait a while to see what happens. Then if there's no great outcry or revolt, because most people simply don't grasp what's been decided, then we keep on going, step by step, until there's no turning back." This Herr Juncker has about as much affinity for the general welfare, as the Devil has for holy water.

Truth is, the entire global financial system is finished. The euro will burst apart, sooner than most people might imagine. Hyperinflation can explode more quickly than it did, from the beginning of 1923, until November of that year. Namely, from 1919, into early 1923, there was no hyperinflation, even though the Reichsbank was massively printing money. It was only after the French had occupied the Rhineland, that production faltered, and then everything went up like wildfire.

Inflation today is already visible in the rising prices of raw materials, and especially of raw agricultural products. But it is also visible in Germans' declining purchasing power since the introduction of the euro. The euro = the *teuro*?[4] Already forgot that? What about the prices at supermarkets, at restaurants, energy prices? More bailout packages can bring on hyperinflation much more quickly than in 1923, because this time around, the problem isn't confined to a single country, but rather—thanks to globalization—it's worldwide.

There's only one way out: Join the BüSo's mobilization for:

- Immediate implementation of a two-tier banking system. That's how Franklin Roosevelt led America out of the Depression in the 1930s.
- Commercial banks must be put under government protection!
- The government must guarantee wages, pensions, savings, and credit for small and medium-sized industry, agriculture, and commerce.
- No lousy, worn-out euros for the gambling banks!
- Germany must quit the EU Treaty and the Eurozone!
- Forward to the new D-mark! The campaign of some news media asserting that it's not possible, is pure propaganda. Printing plates for the new D-mark notes have already been engraved!
- Productive credit creation for the real economy only, and for reconstructing the world economy by building the World Land-Bridge!

3. Latin for "The name fits the person." *Junker* are members of the German landed gentry; in the 1930s, this social layer played an important part in Hitler's rise to power.

4 Pun on "euro" and "*teuer*" ("expensive").