

FORGET THE EURO

Germany Needs a Two-Tier Bank System and New D-Mark

by Helga Zepp-LaRouche

Dec. 10—The European Union summit on Dec. 8-9 has produced an even more abominable monstrosity than EU policy was already: It did nothing to diminish the risk of collapse of the euro and of bank failures. A debt brake,¹ budget control by the European Commission, tougher sanctions against deficit violators, “more Europe,” loss of sovereignty and democracy, economic hardship, and a future without hope for millions of people: That is the ghastly result of the “Merkozy” strategy. The threat of collapse of the trans-Atlantic financial system remains acute.

The only chance for the nations and peoples of Europe is the immediate introduction of a two-tier banking system, in conjunction with the restoration of sovereignty over national currencies and economies. Following the example of Franklin D. Roosevelt’s Glass-Steagall Act, commercial banks and investment banks must be separated. The commercial banks must be placed under state protection and provided with new lines of credit, while the portion of the debt that comes from bailout packages for the banks, derivatives trading, investment banks, hedge funds, special purpose entities, and shadow banks, is either canceled or suspended.

The argument that this measure would cause many

investors to lose their claims to the entire palette of “creative financial products,” must be rejected, because this money is already lost: The system is bankrupt. If the institutions in which these securities are deposited are insolvent, then those securities are already worthless, and the attempt to postpone the reckoning by more tricks, such as the “leveraging” of fund deposits or other methods of the miraculous multiplication of money, will only mean that hyperinflation will destroy the life savings of the population throughout Europe. A social catastrophe and chaos would be the inevitable consequences.

Brüning-Style Austerity

The intention behind the line that bankers and supporters of the European Union have been circulating for some time—that all this has nothing to do with a banking crisis, but with a sovereign debt crisis—is an attempt not only to divert attention from the fact that the bailouts, and the whole policy based on monetarist maximum profit, are to blame for the sovereign debts; the line is also used as a rationalization for why high-risk speculation has to be maintained. The prescribed medicine—reducing the budget deficit and enshrining a debt brake in the Constitution—is best suited to kill the patient as quickly as possible. Chancellor Brüning’s austerity policies created the well-known social conditions under which the Nazis were able to seize power.

1. The German Basic Law was amended in 2009 to introduce a “debt brake,” essentially a balanced-budget amendment. From 2016 onwards, the government would not be permitted to have a debt of more than .35% of GDP.



RegierungOnline/Bergmann

German Chancellor Angela Merkel at the European Union summit, with French President Nicolas Sarkozy (second from left) and others. The ghastly “Merkozy” strategy for “saving” the euro prevailed, to the greater detriment of European nations.

The unfortunate case of Greece shows the consequences of the brutal austerity policies of the Troika (the International Monetary Fund, the European Central Bank, and the EU Commission): Pharmaceutical companies have stopped providing medicines for the seriously ill, because hospitals cannot pay the bills, and parents are turning their children over to SOS Children’s Villages, because they can no longer feed them. Millions of people, and especially many millions of young people in the southern countries of Europe, are unemployed and lack any hope of a future.

It is also incomprehensible where “Merkozy” finds the optimism to believe that the old Stability Pact could now be adhered to in a much worse economic situation, given that it has already bankrupted almost all Europe’s governments. The handover of Parliament’s right to legislate the budget to a soulless EU Commission, which is now supposed to have the right to review budget proposals and to correct them—i.e., to cut them—tends to make elections unnecessary, because economic policy is no longer to be decided by the distribution of seats in Parliament, but by non-transparent EU technocrats whom no one has elected, and who are accountable to none. Automatic sanctions for violators and punishments by the European Court of Justice will create a climate in Europe in which the now already considerable enmity and bitterness knows no bounds.

And how are citizens supposed to have any confidence in governments which incessantly flout the rules they themselves have made—governments which axiomatically believe that treaties can only be put through behind their own citizens’ backs, and who invent the most exotic legal sophistries, all in order to shore up a system in which all is permitted, so long as the oh-so-sensitive markets don’t “get nervous”?

Since the Lisbon Treaty can only be revised jointly by all members, but Great Britain has now taken its leave, it was hastily agreed to draw up a new inter-governmental treaty which operates “outside” the existing treaty, and which changes Article 126 of the Treaty on the Functioning of the European Union, without changing the Lisbon Treaty itself.

The Euro Was Rotten from the Start

Which brings us to the one positive outcome of the EU summit: British Prime Minister David Cameron’s refusal to submit to the EU Commission’s diktat, and his rejection of a transaction tax and the Basel III² requirements, has now seriously opened up the possibility that Great Britain will accede to the Euro-critics’ pressure, and will quit the EU altogether. The real reason for Cameron’s move, of course, was the City of London’s desire to distance itself as far as possible from the Continent, in view of the euro’s impending collapse. But despite that, the departure of “perfidious Albion” would be a correction of Pompidou’s error³—an error for which continental Europe has paid dearly ever since. And once one country has turned its back on the EU monster, the dam will have been breached, and other nations will find courage to draw their own conclusions from the fact that their populations’ vital interests can no longer be protected if they remain within the EU.

The first step must be to recognize that the euro was a faulty construct from the very outset, one which could not possibly function, and which has now collapsed irrevocably. A two-tier banking system must thus be instituted, in conjunction with a return to national curren-

2. The Basel III accord would impose greater regulation on banks, including higher capital requirements.

3. French President Gen. Charles de Gaulle twice vetoed Britain’s entry into the European Community, but his successor, Georges Pompidou, reversed that in May 1971, and France became a member.



World Economic Forum/swiss-image.ch

British Prime Minister David Cameron's refusal to go sign the EU agreement has one possible benefit: that Britain would leave the EU, opening up the option for others to do the same.

cies, because only each country's sovereignty over its own economic policy will permit measures to be taken that are right for that country. Fixed rates of exchange must be established among the various currencies, so that long-term cooperation on international projects can be protected, and speculation against currencies forbidden.

Germany's Foreign Policy

Instead of joining in a highly volatile game of encirclement against Russia and China, such as NATO and the EU have been playing since the collapse of the Soviet Union, and instead of remaining hysterically silent about the obvious war plans against Syria and Iran, whose apocalyptic consequences surely must be clear to everyone, Germany should decide upon a sovereign foreign policy which is in its own interests.

As long as Russia, China, India, and other Asian nations remain relatively stable economically, and are not swept up into the effects of the global collapse crisis, these countries represent huge markets for Germany and for other sovereign European nations, and a 50- to 100-year development perspective offers huge opportunities, especially for our *Mittelstand*, our private small and medium-sized industrial firms. Germany must simply return to the industrial policy it had during its post-1945 reconstruction era, a policy oriented toward scientific and technological progress, and high

energy-flux densities.

Instead of passively tolerating the obvious attempts to destabilize Russian Prime Minister Putin's upcoming Presidency by means of an "orange revolution," à la George Soros and Mikhail Gorbachov, thereby helping to create an enemy image for World War III, Germany should look to its own raw materials and energy security, and should cooperate with the nations of Asia in jointly opening up the Far East and the Arctic region.

The German *Mittelstand's* technological capabilities are urgently needed for developing Russia's Far East and China's interior regions, as well as for conquering the scandalous poverty in which 70% of the Indian population lives.

These nations, for their part, have launched into manned spaceflight with the same pioneering spirit which we Germans once had, and into making scientific breakthroughs in order to better and more profoundly understand and master the laws of the universe.

It is high time that we jointly address ourselves to humanity's great unifying issues. An imperial structure such as the current EU has become—one which people increasingly perceive as a mechanism of oppression, which has contributed not to peace in Europe, but instead to enmity among peoples, and to hostility toward Germany—such a structure must be abolished.

The envisaged European fiscal union is already in violation of the principles set forth in the German Constitutional Court's so-called Lisbon Ruling. Therefore, we demand that a referendum be held on whether Germany should remain within, or leave the EU and the euro, and also on whether to introduce a new D-mark.

Time is very short. The danger of a banking collapse, and of war, requires that we act quickly. If Europe is to be spared an existential catastrophe, it is essential that a two-tier banking system be immediately set in place, and that sovereignty be attained over our currency and our economy. We must, right now, mobilize the spiritual and cultural powers that will enable us to become again a people of thinkers, poets, and inventors.

The author is the chairman of the Civil Rights Solidarity Movement (BüSo), a German political party. Her article was translated from German.