The Empire's Bailout Policy: Deadly 'Alcohol to a Drunk'

by Our European Bureau

March 19—"What is going on with the ECB now is like giving more alcohol to a drunk. The problem is that when it is over, we will be worse off than now. Our life is threatened," declared former Italian Economics Minister Giulio Tremonti, in a March 15 appearance on the Italian TV news magazine "Linea Notte." In fact, Tremonti explained, the economy is going backwards—and nothing has been done to address the causes of the financial breakdown crisis which pulverized the trans-Atlantic system in 2007-08.

Tremonti is right, and he is not alone in raising his voice against the accelerating hyperinflationary policy of the European Central Bank (ECB), which now, according to some, is outdoing the U.S. Federal Reserve in pumping out liquidity based on *nothing*, while imposing austerity conditions that threaten the very continuation of life in one nation after another. Former ECB chief economist Jürgen Stark addressed a conference of insurance companies and related financial institutions on March 7, and charged that "the balance sheet of the euro system isn't just gigantic in size, but also shocking in quality."

What both these prominent former officials realize is what is virtually unstated on this side of the Atlantic: that the measures taken to bail out the bankrupt system will only lead to a much bigger blowout later, and that, potentially, in the very near term. All talk of a "recovery," including in the United States, is nothing but hogwash. And if emergency measures, starting with Glass-Steagall, are not adopted soon, in order to segregate the phony from the real debt, there will be nothing to stop a mass-murderous implosion.

The campaign for those measures is being led by Helga Zepp-LaRouche.

Unlimited Money

The unlimited lending of the past three years, in particular the two spectacular three-year bailout loans to the private banks in December 2011 and February 2012, of more than a trillion euros altogether, has pushed the ECB's balance sheet to no less than EU3 trillion, as Stark charged.

Earlier, Bundesbank chief Jens Weidmann had pointed in warning to the ECB's payments system, known as Target 2, under which the German central bank has built up EU547 billion in claims on the rest of the euro system, including the highly indebted central banks of Greece, Ireland, and Portugal, but also France and Italy. Since that amount, as well as the giant bailouts, can be considered as largely non-repayable loans, Weidmann has called for measures to protect German interests against the threat of hyperinflation, and prevent Germany from becoming the "bailouter of last resort" for the rest of the Eurozone.

Referring to the ECB's EU1 trillion three-year loans (LTRO) to the banks, Tremonti put it this way: "An insane amount of additional liquidity has been injected

into the system." Banks use their money to either inflate their capital or to buy government bonds; that's the secret behind the alleged improvement in the condition of Italian bonds.

Thus, no aid at all is given to the physical economy, simply more gambling money for the banks.

This is the very same *modus operandi* working on the U.S. side of the trans-Atlantic financial system, in which banks can continue to borrow at near 0% interest rates for their own speculations, while the physical economy and labor force are left to rot, and the population pays greater and greater fees to sustain the hyperinflationary bailout policy for the economy as a whole. Nor should it be overlooked that the Federal Reserve itself is heavily committed to providing swaps and other funds to sustain the "European" system, in reality, the internationalized banking monstrosity that controls the entire trans-Atlantic economy and most of the world.

Then, There's the Austerity

Contrary to the Austrian School monetarists who scream about hyperinflation, the evils of that system are not simply monetary. The flip-side of hyperinflation, as is being implemented in Europe and elsewhere, is fascist austerity, just codified for all European nations in the so-called Austerity Pact (which still has to be ratified by all the parliaments, and will be subject to referendum in Ireland.) The examples of Greece, Portugal, and Spain should chill the blood of any normal human being, but that's the part the Austrian School loves.

A recently published Compliance Report from the European Commission, on the Greek economy, demands that Greece cut another EU11.7 billion from its budget in 2013-14. This is the equivalent of 5.5% of its gross domestic product, and includes EU7.6 billion in cuts in 2013, and another EU4.1 billion in 2014—or else they will not receive the bailout funds. The cuts will be made in pensions, social transfers, pharmaceutical and health-care spending, defense spending, and a restructuring of central and local administration. Already, disease is skyrocketing due to health-care cuts.

The jobless rate rose to 20.7% in the fourth quarter of 2011, from 17.7% in the previous three-month period, according to the Hellenic Statistical Authority (Elstat). As for youth between the ages of 15 and 29, the figure is over 40%.

Portugal's economy shrank 1.6% last year, as austerity measures adopted in return for a EU78 billion bailout took their toll, the national statistics agency reported on March 9.

The Portuguese government is predicting a contraction by another 3.3% this year, and unemployment is up to 14.8%. The GDP last year amounted to EU171.1 billion, the statistics agency said. The economy contracted 2.8% in the last quarter, as compared to the same period in 2010, and domestic demand plunged 9.5% over the same period.

Spain also is implementing unprecedented austerity measures aimed at cutting EU30 billion from its budget. Prime Minister Mariano Rajoy has announced a 40% reduction in infrastructure and other investments, a 12% cut in spending at central government ministries, and layoffs and salary cuts of up to 30% at public companies. Unemployment is 23%, and youth unemployment is 50%.

The Only Solutions

In a statement issued on March 9, German political leader and Schiller Institute founder Helga Zepp-LaRouche delivered a scathing attack on the fiscal union treaty that was just signed by the Eurozone heads of states. That pact, she wrote, which provides for a zero deficit in all member countries, "robs the respective Parliaments of their power by transferring the right to approve the budget to Brussels," and does away with democracy. The European Stability Mechanism (ESM), which is supposed to work secretly, transforms Europe de facto into a transfer union and a federal state, with a common destiny.

By agreeing to this, Zepp-LaRouche says, the German government "has clearly crossed the limits set out by the Constitutional Court in 2009 in a ruling on the Lisbon Treaty." Expanding to such a point the competence of the EU demands a new German constitution, which in turn, must be approved by popular vote. Therefore, a referendum must be organized to ask the Germans whether they "really want to transfer the remainder of their sovereignty to a soulless dictatorial bureaucracy, whose incompetence leaves no room for doubt."

Zepp-LaRouche, and the LaRouche co-thinkers in France, Italy, Sweden, and Denmark, are not only campaigning to dump the supranational European dictatorship, but to go back to those nations' respective national currencies. This should then be followed by a global Glass-Steagall reform, and adoption of a credit system to spur great projects, like the Eurasian Land-Bridge. A bill for restoring Glass-Steagall banking separation has been introduced into the Italian Senate.