

SELECTED DISCUSSION AFTER PANEL IV

Uniting Europe on a Higher Level: Italy, Greece, Germany and the European Union

This is an edited transcript of discussion among Claudio Celani, Folker Hellmeyer, Leonidas Chrysanthopoulos, and Helga Zepp-LaRouche, which followed the presentations of Panel IV of the Schiller Institute Conference, on July 1, 2018.

Claudio Celani: I have a question and some comments for Mr. Hellmeyer, concerning his presentation today. As I said yesterday, I admired your recent interview, Mr. Hellmeyer, in which you spoke about Italy and addressed correctly, as do very few people in Germany, the issue of debt, saying, when we consider debt, we have to look at overall debt—public debt and private debt. Looking at this aggregate figure, the problem becomes different, Italy as at the average or even below average level of debt. But where I cannot follow you, is the other part, the part of the structural reforms, the *Aufgaben* [Tasks], in what you said today.

It's a pity that Mr. Zanni, [Member of the European Parliament (MEP) from Italy] is not here—he had to catch a flight. I will try to be an advocate, not for him, but for his reasons, being myself an Italian, who has lived for many decades in Germany, and being a member of the Schiller Institute, I look forward to a

well-reasoned argument.

Mr. Zanni showed in his presentation on Panel III that there has been a political response in Italy, as in other countries, to the simple fact that these structural reforms don't work, have not worked: They have not worked in Greece, they have not worked in Italy, but they have not worked in Germany, either. If we look at Germany, what happened with the structural reforms, cost-cutting, and labor reforms? Where are the capital investments in Germany? Where are the investments in infrastructure? You would agree with me that there was a collapse of investment in infrastructure, in capital formation, in all countries in the Eurozone, because of this policy of cutting costs.

Now, concerning Italy—Italy accepted and implemented the *Aufgaben*, since the start of the convergence period in order to join the euro. So, these policies began in 1992. Italy has experienced the greatest level privatization in the West; Italy drastically cut its budget. I think in budget discipline, Italy ranks first in Europe, having reduced the deficit below 3%, constantly, along with other measures. Italy has a primary surplus—it carried out the *Aufgaben*.

The last measures were pension reform and labor reform. And what was labor reform? Labor reform has

now made it possible to fake statistics. Today, a person who works only one hour a week, is counted as “employed.” So that’s how, during the Renzi government, Italy showed a growth of employment, of jobs. The real result, however is that poverty has increased. Poverty has increased throughout Europe, and dramatically in Italy. The latest figures from two days ago: Absolute poverty in Southern Italy is over 10%! Now, these are third world figures, right?

We could go on and on with this discussion, which would be a really nice discussion, were it not for the fact that at the end of the day either my view is implemented or yours is, because we are in this structure of the European Union. And that’s a problem.

What I suggest is, to see in what Mr. Zanni said today, the positive aspect, the type of proposal he is putting forward. Mr. Zanni is a younger man, who has come here to speak as a member of the Lega. If you read German media, what is the Lega? “*Rechtsextremist!*” [right-wing extremist] He didn’t sound like a *Rechtsextremist*. I know him personally, and he’s been my friend for a couple of years. He was elected with the Five Star movement, but then when he saw that the Five Star movement was pushing a neo-liberal agenda in the European Parliament, he decided he had to break with them. He found the Lega, which told him, “You can come with us, you can say whatever you want, and have freedom of expression.” He joined the Lega only for that reason.

So, but anyway, his propositional aspect is the China part: let’s join to apply the model that China applies in Africa. The European Union should do this, and this is the solution to immigration.

So what’s wrong with saying, “Maybe let’s reflect on whether integration went too far in Europe? If we go on like this, either we will wind up suppressing elections, or we will have a backlash. Perhaps we will find ourselves having very nasty political forces taking over.” So, that’s what I think he said, and I think it’s a plain proposition. What happens if we take a step back in the monetary integration, in the political integration, but we make a jump forward in physical integration, in investment, and growth?

Folker Hellmeyer: Actually I do not mind investment. What I do mind is consumption. What Italy still needs, and also Greece, are reforms in certain areas in the efficiency of the government, in the political standard, and in the labor market.

The point I want to make is, Italy used to devalue,

for instance, like Greece used to devalue in former times. *That is nonstructural*. If you devalue, you have high inflation; if you have high inflation you don’t get capital formation, capital investment, because the risk of high inflation is eating up the value of the—thus you betray the young generation of their future. The neglect of political reforms is the prerequisite for the youth problems in the labor market in most of the southern regions. And what we are seeing now is, yes! In order to have the reform, if you implement the reforms, you cut into cold flesh—which is nonproductive of an economy, which is painful. You have high unemployment. But after that, you have a better allocation of all production factors, and then you have sustainable growth again. *Any other issue* is betraying yourself!

We need to do something about deficits. You’re right about the net borrowing position of Italy, it is better than Germany, when you look at private households plus government debt. But that’s not the point. The point is, to achieve a sustainable, official budget. Otherwise markets will *punish* you! Without the solidarity of Europe, Italy would have gone bankrupt in 2012. It took the “whatever it takes approach” of Mario Draghi, and you know that very well. And *that* is betraying your country!

In the end, we need to stick to certain rules—that’s the gold standard—we were all forced to stick to rules. We had lots of nectar, of the new system, where we could run budget deficits like hell. What you did in Italy and what Greece did wrong after getting the euro and a lower interest rate, was consuming it away, you didn’t invest it.

I’m very much in favor of investment. On infrastructure, I don’t mind running debts on capital investment. I agree with you there.

But we all need to understand that the European family stood together in this crisis, and without our having stood together, there would have been a recession like 1929-32, not only Europe, but for the rest of the world, because of the interconnectedness. That’s what we should understand also.

And there’s one more issue I want to take up, and this is a really strong mark: After the crisis of 2008-09, the U.S. and the U.K. have repeated the business model that generated the crisis: It’s all debt! It’s the highest consumer debt, it’s the highest corporate debt, and they run a 2.5% growth model with budget deficits of 5.3% this year of GDP, if you rely on the IMF [statistics]. The Eurozone stands at 0.6% this year—IMF numbers—budget deficits with more than 2% growth, and it’s recurring

income, not credit, which is driving this growth, and *this is good*, and this is structural policy, this is reform policy, this is Aristotle, this is future! Thank you.

Leonidas Chrysanthopoulos: I would like to reply that I totally disagree with you, Mr. Hellmeyer, as far as Greece is concerned. I mean, we had an eight-year program of reforms that destroyed the country! You cannot kill a country, in order to have some GNP and all that. So many people have died! We had human losses, in this thing. The economy has been destroyed. Nothing works in Greece any more, and this is presented as a success.

Plus—and this is something else that you don't know about, of course: We have another problem, another issue, which is the German debt to Greece on the loan that Germany took during the Greek occupation [1941-1944], which is worth, today,—it's value is much bigger than the Greek debt. But that's another story. That concerns the Greek governments, the quisling governments, who refused to raise the issue with Germany, and who still do refuse that.

But we started the reform program, the aim of which was to diminish Greece's debt, which in 2010 was 120% of the GDP. Today it's 185%. So, it's eight years of failure! And there's nobody in the EU willing to take responsibility for this failure. Even the IMF has said that it failed, but the politicians refuse to change that policy, because they refuse to admit that they made a mistake. I cannot, and many Greeks can no longer tolerate to see their country being destroyed like that, by the EU! Of which we are members.

I won't continue. Thank you.

Zepp-LaRouche: I would like to point to the fact that there is a reason why the EU is in the condition it is. When the East European countries, the 16+1 and Greece and Serbia and other countries wanted to be part of the Belt and Road Initiative, there was a violent reaction from Brussels, and also from the former German Economics Minister, Sigmar Gabriel, who said that China is destroying the European Union and causing disunity. And then the Chinese answered, the EU does not need China to be disunited, they're disunited all by themselves. The offer of the Chinese Belt and Road Initiative is the only way to unite Europe on a higher level.

And that is, I think, something we should look at.

Look, there are many problems which are self-evident: One is Africa. Africa is in the condition it is in, not because of China, but because of the West! The West

did not develop Africa, neither in the colonial times, nor in the time of the IMF conditionalities, and part of the reason why the refugee crisis exists is because of the policy of the EU and the IMF and World Bank, which up to this present day are not making the kind of investment in Africa which would alleviate the problem.

As a matter of fact, we have many contacts, Mittelstand people, who tell us they would like to invest in Africa, but for the German government, and the EU. The German government hides behind the EU, saying they wouldn't get the kind of [investment protection] umbrella which they would need, because, as Herr von Helldorff was saying, the big DAX firms are not the problem, the problem is the SMEs [small and medium-size enterprises] who need the protection of the state and treaties among the states to be able, otherwise the risk is too big for them.

So look at Africa as a result of this policy. Look at the condition of the Southern European countries, Portugal, Spain. Portugal is doing a little bit better now, but Spain, Greece, Italy. I mean, the suicide rates, the increase in the death rate, the collapse of the birth rate, these are all factors of—I hate to say it—[Germany's former Finance Minister] Mr. Schäuble's "black zero" [no deficit policy]. And Schäuble was the one who was a leading person to impose the kind of austerity policy, and it did not work!

And I think we should rather have a future orientation. The good thing is that we agree that the solution is the Silk Road.

I am open to the EU reforming itself. However, I have no reason at this point to believe that this will happen; but if they do, so be it, its fine with me. I'm not dogmatic on this point, but the change has to occur. I think that protecting the German capital stock and the hidden champions and all of this, does not require a supranational structure which is completely alienated from its own people. You could have the same kind of protection with a de Gaulle type of alliance of sovereign nation-states who work together for a joint mission.

We are working to bring about a New Paradigm, which is very much in cohesion with what Xi Jinping is saying about a new international relationship among nations based on respect for sovereignty, equality, and non-interference. If that principle would also be part of a Eurasian union from Vladivostok to Lisbon, I think it would work perfectly fine. We need new principles in international politics, because staying with the geopolitical view will not function. We need a new international set of relations, based on these ideas.