

Signs of Panic

In an attempt to preempt news headlines on June 26 about an unprecedented wave of new corporate bankruptcies, notably in the construction sector of eastern Germany, Chancellor Schröder announced on June 25 that he was thinking of a special government support program, in the range of 1 billion deutschmarks (roughly \$500 million), for the construction sector in Germany's eastern states, and that he would make it official during his coming Summer tour there. Maybe because he received some calls from the big private banks that this announcement created the impression of a Chancellor becoming panicked, the next day Schröder retracted the plan, emphasizing that this was no conjunctural incentives program, but only one among several options.

Schröder fell back into more propaganda, but the difference from last year, is that the media are no longer supporting him. Hardly had Schröder returned to his "business as usual" talk, than some German wires began reporting about a secret meeting in Brussels a few days before, between EU Commission President Romano Prodi and top managers of several European countries. During that meeting, Prodi came under attack by some managers for not doing enough to prevent a major monetary crisis in the European Union during the

transition, at the beginning of the coming year, from the national EU currencies to the new all-European currency, the euro. Prodi was also accused, as were most of the EU member governments, of downplaying all problems connected to the euro. Prodi admitted to the managers that he did have several surveys on his desk, and that some of them even warned, for example, that 40% of those who held German marks outside Germany, would rather change their marks into dollars, instead of the euro, come January. Prodi said that he shared some experts' concern that of DM 280 billion held in non-German accounts, DM 100 billion would flow into the dollar, and weaken the euro even more.

For the German government, this leak from Brussels was most unwelcome, as it corresponds to widespread fears among the Germans that the transition from mark to euro means trouble. Promptly, the head of the German central bank, Ernst Welteke, rushed to assure the public that there is no need to worry, that people would have enough time to change their marks into euros, early next year, that there was no reason for panic.

All of that was covered broadly by the German media; numerous dailies had this leak-denial exchange on their front pages, and this flurry is probably the last real news that Germans will receive before disappearing abroad for Summer vacations. The next real news about Germany will be on their breakfast tables in about four or six weeks, and it will be worse news. Chancellor Schröder's private wish to have a calm Autumn, may not be fulfilled.

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Bulgaria Loses Its Elections

by Alexander Hartmann

The June 17 Parliamentary elections in Bulgaria produced a landslide victory for the National Movement Simeon II (NMS), which got close to 43% of the vote nationally, and won 120 of 240 seats in the Parliament. The Union of Democratic Forces (UDF), led by incumbent Prime Minister Ivan Kostov, came in second with about 18%, narrowly ahead of the Socialist Coalition for Bulgaria (CfB), with 17%. The fourth party gaining seats in the Parliament was the ethnic Turk Movement for Rights and Freedom (DPS), with close to 8% and 21 seats. The NMS will now form a coalition government, with the DPS as a likely, and the UDF as a possible, partner. The CfB will stay in opposition.

The NMS was founded on April 6, and is led by "Tsar"

Simeon II. Simeon is a scion of the same house of Saxe-Coburg-Gotha that spawned the present British and Belgian royal dynasties, and he has been Tsar of Bulgaria before: He, or rather, his guardians, ruled during 1943-46, when the Communists deposed the nine-year-old monarch.

The Snake Oil Tsar

Simeon was elected on a platform promising everything to everyone, including a pledge to fix all the country's problems within 800 days.

The average income, he said, shall rise from 240 lev (roughly \$100) to 400 lev per month, especially benefitting small pensioners and public employees. Small businesses have been promised zero-interest loans. At the same time, he promised to sharply reduce public debt.

But, because anyone in his right mind could plainly see that only a charlatan would promise all this, that was not really why he was elected. In fact, he won the elections by default—the electorate dis-elected the established parties, and he was there to benefit.

In the last decade, about 1 million out of 9 million Bulgarians have left the country, while the average income is \$100 per month. Unemployment is at about 20%. Prime Minister Kostov's reform policies have reduced Bulgarians' standard of living. After the elections, he acknowledged: "We wanted the voters to pay a higher price than they were prepared to pay."

People felt betrayed. They charge that everyone in the present government is corrupt; but, in fact, this corruption is imposed by the "international financial institutions." It is they who insist on the policies of looting in Bulgaria, like in any other developing country. The corruption of the governments is mainly that they go along with such policies, to gain access to NATO and/or the European Union.

It is these feelings that Simeon exploited to get elected. "He is rich, so he does not need to steal from you," was his unofficial election slogan. Simeon and his campaign managers succeeded in creating mass hysteria, similar to when a snake oil salesman comes to town, while in fact, Simeon was promising more of the same medicine that caused the sickness.

If anyone doubts this, a look at his economic team is sufficient. It is a collection of Bulgarian expatriate yuppies in their early 30s, who, until a few weeks ago, worked for such "prestigious" and "patriotic" institutions as Lazard Frères, PriceWaterhouseCoopers, and Merrill Lynch, and who are probably just too young to remember the abysmal failure of Jeffrey Sachs' "shock therapy" in other Eastern European countries—because that is exactly what they are proposing. They know perfectly what has to be done to pacify the "international investors," and that is what they will do.

Upon news of Simeon's victory, banks such as Deutsche Bank announced they expect Bulgaria's credit rating to be

raised—a sure sign, that the looting community is satisfied it will get its booty.

Vain Royalist Hopes

Another group pleased by Simeon's victory are the members and fans of the Western European royalties. As could be seen by the flood of articles, especially in the British press, pushing Simeon since April 6, they saw King Simeon's campaign as the vanguard of royalist forces in the Balkans, to restore not only the monarchies in Bulgaria, Romania, Yugoslavia, Montenegro, and Albania, but also, to shore up the flagging royals in western and northern Europe as well. This became clear in an article on Simeon in the London *Economist*, which listed the many "ethically challenged" among the royals' next generation, concluding: "Why, ask Norwegians, have a royal family if it behaves like an ordinary one?"

The same is true for the other western European monarchies as well. Indeed, the Windsors have been just as desperate to get Simeon elected as the poor Bulgarian voters.

But, as one analyst put it: "Most Bulgarians decided to run away from problems. If Simeon II does not deliver on his promises, voters will be disappointed. If he does deliver, he will cause economic collapse."

In fact, if he delivers on his promise to the international financial community, he will cause even more economic destruction to Bulgaria. Or, as London's *Independent* (the exception to the general press line) put it: "One of the disadvantages of his role is that, to be really convincing, you have to be dead," citing the examples of King Arthur, Charlemagne, and "Sebatian of Portugal, who died in battle in 1578, and whom 'Sebatianists' still await" his return.

And that is why Simeon's electoral success may very well turn out to be a pyrrhic victory for the House of Windsor and its kin. If the policies of Simeon's economic advisers prevail, and the Bulgarian economy collapses accordingly, monarchism will very soon acquire an ugly name in Bulgaria and elsewhere in the Balkans—and this may turn out to be the last royalist experiment the peoples of the Balkans will try, with a concomitant backfire effect on all the other monarchies in Europe.

The Balkans Powderkeg

Unfortunately, it is likely, under these conditions, that Bulgaria will socially explode, because after a disappointment, there usually comes rage, especially if people feel helpless. As in other Balkan hot-spots that have already exploded, it is likely that this explosion will be shaped along ethnic fault lines: 10% of Bulgaria's population are ethnic Turks, who are economically even much worse off than ethnic Bulgarians, with unemployment rates twice the national average. Thus, Simeon's election victory may very well serve to ignite another powderkeg in the Balkans.

Indeed, Bulgaria has just lost its election.