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## Panel 2: Helga Zepp-LaRouche

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# Europe Needs a New Atlantic Alliance In the Franklin Roosevelt Tradition

*Mrs. Zepp-LaRouche keynoted the afternoon session of the seminar on Dec. 6. She was introduced by moderator Frank Hahn, who pointed out that 20 years ago, she founded the Schiller Institute, "in order to establish a new form of cooperation, not only between Germany and the United States, but between Europe and the United States, on the basis of the principles of American republicanism." The four-hour session concluded with the LaRouche Youth Movement singing the "Battle Cry of Freedom," following which the LYM spontaneously broke into singing the German national anthem.*

Well, the Trans-Atlantic partnership is functioning very well, I believe, in some areas. But I think for the rest of the European-United States relationship, we need a new agenda. And I propose that this new agenda for the new Trans-Atlantic Alliance, should be one in the tradition of Franklin D. Roosevelt, the New Bretton Woods, and his policy of a New Deal. Right now, I think that there are many people who easily admit that the world is in a deep crisis. There are many scenarios of how the world could be fixed without the United States. And while everybody knows that we, for a very long time, have advocated the building of the Eurasian Land-Bridge as the natural means of integrating Eurasia after the fall of the Berlin Wall, any scenario which does not include a positive role of the United States, can not function. In the bad sense, the process of change in the United States, which now is much, much more rapidly under way than acknowledged by the very controlled media in Europe—if that would not happen, and if the neo-cons would remain in any form in the government, asymmetric global warfare would be the result, and I think we heard this morning, one of the immediate concerns [from Southwest Asia], where the crisis is very acute. But also, if you don't take the war dimension, and just look at the economic aspect, you know, we are sitting on a powder keg, which is much, much worse than is publicly admitted, in terms of the immediate possibility of a financial collapse.

### No Solutions From Europe Alone

Now, I would be very happy, if Europe were so strong, that Europe could come up with a proposal for a new, global

solution. Since I'm German—I'm married to an American, but I'm not an American—and therefore, I would be happy if Europe would have the power to have such a possibility. But if you take an honest look at the condition of Europe right now, Europe is in a *terrible* condition. Europe does not exist! As a matter of fact, Europe, as it is constituted now, *can not* function.

And I'll just give you a couple of the symptoms which will erupt in the near future in a big way: One is the massive increase of tensions, concerning the European Union budget. This is not solvable. Germany is very clearly at the limit of its ability to pay for an increased European Union budget. Great Britain does not want to give up its so-called "British bonus." France insists, correctly, that they need the subsidies for French agriculture. But, there is no solution inside. The East European new members of the European Union are pushing very hard to also come into the euro-zone, which will not happen—can not happen right now, and therefore it probably will never take place; but officially it has been postponed for several years. So Blair, basically, was unable to find a compromise concerning the European Union budget, and said, either the East European new members take it as it is, or there will be no money at all.

Now, if you look at the German situation, with the new Grand Coalition—Lyn characterized it this morning, as "waiting for new options," and I think that is a fair description. It's a transitional government, and the only positive thing one can say, is that in the coalition negotiations, there was big unease about the austerity policy. And several people said, that the repetition of a Brüning harsh austerity, of just cutting the budget, is threatening to bring Germany to the ground.

But, in reality, Germany right now—and I think this goes for other countries as well, but in Germany, it is *really* unbelievable: You have a massive, massive attack of the hedge funds, trying to take over Germany, totally. You have a hedge fund attack on the *Mittelstand* firms. They're ganging up by six to eight to ten hedge funds. They're now trying to take over the big firms. Just one hedge fund called Tweedy, Brown is trying to take over, or trying to prevent a consortium between VW and Porsche, demanding that Supervisory Board member Piëch gets kicked out.



*The Reichstag building, symbol of the German nation, on Oct. 3, 1990, the day of reunification. German unity was secured at a high price: the Kohl government's agreement to replace Germany's currency, the deutschemark, under supranational control, thereby relinquishing the keystone of national sovereignty. This plan was pushed through by French President Mitterrand (shown here, on the left, with Kohl in 1994), in league with Britain's Prime Minister Margaret Thatcher.*

But they're also taking over housing—they're buying houses like mad, they're buying apartments; they're buying castles—Jeb Bush who was just in Munich, said, "We will buy all your castles!" I don't think this went down well with the Bavarians, but—it is really big. And the problem is, in Germany right now, there is *no defense* against these attacks. And, in addition to Germany's being haunted by the effects of Maastricht, if this is not ended soon, Germany will cease to exist as an industrial nation.

I think the situation in France is equally dramatic. The crisis in the *banlieues* [suburbs], according to our best knowledge, is three-quarters worse than what is officially reported. And one can say with good conscience that the *banlieue* crisis, is a "teuro" crisis. (This is a pun on the "euro teuro," which means the expensive currency.)

And Italy is in a terrible condition as well—inflation, indebtedness. Spain is facing the collapse of the real estate bubble. And basically, Europe is in a really disintegrated condition.

### **Historical Roots of the Problem**

Why is Europe right now not functioning? We have to go back to the roots of how this problem emerged. And I personally believe, if we do not really address the geopolitical,

underlying reasons for the construction of Europe with the European Monetary Union, we will not be able to solve it. And what I'm saying is, in my view, discussed behind closed doors in many circles, but up to now it was kept out of the media with all means.

Now, when the German government published the official documents about the processes which led to the reunification, beginning in 1989, they admitted that in Spring 1989, nobody in the German government had *any* perception about the near-term collapse of the D.D.R. [communist East Germany]. Unlike Mr. LaRouche, who had forecast this in 1988, with a clear proposal for unification, the German government did not. And therefore, they also had no contingency plan for the possibility of unification.

Now, in November, after the Wall had come down, they still did not have such a plan, according to their own publications. But the negative consequences of the German government not having such a contingency plan, are being paid very dearly by Germany to the present day, especially in the so-called "new states" in the East, where basically, we have an economic wasteland: up to 50% unemployment in certain regions, and certain states just not being really industrial states any more, at all.

Now, I reference this, because, in 1990, I made many

speeches, warning that if one would make the mistake of just imposing the bankrupt free-market economic system on the bankrupt communist system, that soon we would face an even bigger explosion and collapse of the global monetary system. And today, we are exactly at that point. And the reason why I'm referencing the non-existence of contingency plans in 1989, is, to my best knowledge, neither the German government, nor the French, nor the Italian, nor any other European government, really has a contingency plan for the blowout of the system. I mean, if people have better information, I'd be happy to be corrected. But, I know from many discussions in Berlin, there is *no place*—not the Economics Ministry, nor any think-tank—which even considers the possibility of a blowout of the system.

But that blowout could happen while we are sitting here. And that is also acknowledged by several officials. For example on Sept. 22, the head of the credit supervisory authority, in German, BaFin—his name is Jochen Sanio—at a conference of Goldman Sachs in New York, stated that in his view, a derivatives catastrophe was imminent, and he said, “It will happen, and nobody at this moment is prepared for it. And therefore, I have *Heidenangst*; I have a terrible fear.”

But even if there would be no new LTCM crisis exploding, since '98, the number of hedge funds has dramatically increased to presently about 8,000. And when LTCM went bankrupt, the Bank for International Settlements, in their yearly annual report, later admitted, that the world financial system had come to the point of meltdown (the largest possible accident—*Gau*, in nuclear accident terms), and at that point, it took the 16 largest banks worldwide, to bail out *one* hedge fund. Now, we are confronted with the possibility of dozens of hedge funds blowing out. But even without that, this destruction coming from the system, is an ongoing process, because these hedge funds, and the “locust attacks” taking place right now, are destroying industrial capacity to a very large extent.

Now, in France, at least there are laws which prevent foreign takeovers by these hedge funds, which do not exist in Germany. In France, even if shareholders have the majority of a firm, they can not take it over. But in Germany, no such protection exists.

Now, with the new government, the new Finance Minister, Steinbrück, referred to something which I had drawn attention to in the recent Federal election campaign: Namely, that Germany has to go back to the D-mark, in order to protect its sovereignty over its own currency. Steinbrück did not admit that, but he said, we have about one year's time to remedy the situation in Europe, to fulfill the Stability Pact, or else we will have a gigantic currency crisis. What he didn't say, but actually meant, is that the euro is about to blow apart.

After I had announced my campaign to go back to the D-mark, sometime in June, all of a sudden there was a flood

of articles in the *Financial Times*, predicting that soon the weaker European nations would leave the euro-zone. Then the French Central Bank head, Noyer, suggested that it was quite possible that some countries would leave. But, basically, this is still impending. And this crisis could, indeed, erupt fairly soon, when it becomes clear that the European budget can not be funded.

Now, the problem is, the financial architecture on which the euro is built, is basically not functioning. Now, earlier, the first thesis with which people argued for the euro, was that, for the sake of the European process, one can not change anything concerning the euro. And the argument was made as if the euro would be a protection against the dangers of globalization, and be a counterpole to the power of the United States. Now, that is a complete fraud, a complete lie—it has no basis whatsoever. The reality is, rather, that the negative consequences which come from the euro and the Maastricht agreement and the Stability Pact, especially for Germany, were *intended* to have that effect from the beginning.

Now, if you go back to the situation in November 1989, on Nov. 9, the Wall came down. And on Nov. 28, Chancellor Kohl made the only baby-step in terms of national sovereignty he ever did in his whole life, in my view, which was a ten-point program for a confederation of two independent German states. Two days later, the then-head of Deutsche Bank, Alfred Herrhausen, was assassinated by the so-called “third generation” of the RAF/Baader Meinhof Gang, whose existence was never proven—not any trace has ever been found. And if one asks the *cui bono?*—well, I think it's a question that can be answered very clearly.

But, then, in these days, Mitterrand made an ultimatum to Kohl, saying that France would only agree to the unification, if Germany agreed to an early European Monetary Union. Now, there is a new book by [Jacques] Attali out in France, which is very interesting—at least certain aspects of it—where Attali describes how Mitterrand threatened to organize a Triple Entente again, against Germany, and go to war, if Germany would go independently, unilaterally toward unification. And Attali reports in his book, also, that the entire present Maastricht/European Union construction is the baby of Mitterrand. That this would have been the only subject that occupied him in his second term, and that he was totally obsessed to implement that.

Now, I think—and I hope our French guests are not offended when I am saying this—from my point of view, to understand the motives of Mitterrand for that, one has to go back to the time of Vichy, and the role François Mitterrand played during the Pétain regime, in which he, after all, was honored with the “Francique,” the highest decoration of that regime; and his role with the Synarchy. Because it does not make any sense, otherwise. And because presently, France, by sticking to the policies of Mitterrand, is destroying itself,

by continuing the destruction of Germany—and this does not make sense from any standpoint of a French national interest.

But the Synarchy at the time—which was the banking circles Lyn was talking about before, as being the problem today—they were, after all, the ones which had backed Mussolini, Franco, Hitler, and also the Pétain government. And their explicit statements were to never allow politicians in high positions who would, in a time of crisis, protect the common good, and not the interests of the bankers.

Now, Kohl at the time, in November-December '89, knew that this would not function: that you could not have a European Monetary Union, without having a European political union. And that the euro, or the European Monetary Union, was very directly targetted against German interests.

But, for a variety of reasons, Kohl believed that he had to capitulate. I don't think he had to capitulate, but he did it. And, if you think that war was threatened, that murder was threatened, and that Kohl, later in his memoirs, said that the first European Union summit which took place in December in Strasbourg, belonged to the "darkest hours" of his life, and that he was confronted with an absolute coldness, and an absolute, unbelievable rejection by all the other Europeans—so, Kohl capitulated.

## The Euro-Zone Is a Disaster

The European Monetary Union was implemented, and in May 1998, the euro was introduced. Now, that was the elimination of the most elementary market laws: For example, the law of fair competition, because the advantage of having a secure currency was no longer there, and the poorer new members of the European Union, their poverty and their backwardness, all of a sudden became an advantage. The only attractiveness of their *Standort*, of their location as industrial investment, was their low wages, their low productivity, and their low social costs, and their low taxes. All of these are actually detrimental to the economy! But, because there was a high risk before, whereby the weaker countries had sudden devaluations of 10, 20, or more percent, now all of a sudden, within the euro system, they had zero risk. Investment was flowing in to the poorer countries, so they regarded it all of a sudden as a big advantage, as a boom. But this was really an illusion, because much of the gains, gained through cheap production, immediately went out the window, or up the chimney, through inflation. A very good example for that, is Italy.

So, now, you have high inflation in some countries, like Italy, but also Spain, Portugal, Ireland; but you have deflation and very high unemployment in others, like Germany in particular.

So therefore, the thing is falling apart. And as for the argument that the so-called "European process" would have been strengthened through the euro, the opposite is actually true.

And I think we saw the immediate consequence, that the European political union, which according to even Kohl should have happened *before* economic and financial integration, basically, did not happen, either. Because, when you had the referendum for the European Constitution in May, in France and Holland, they both voted an overwhelming "non" and "no." And that was not only "no" to the European Constitution; it was "no" to the euro. Because, at that point, I think the people in France and in Holland had already tasted the negative consequences of this enforced European integration.

So, you have now a situation where the large investors, which in former times would invest in Germany, now invest in the so-called "rim" countries—Portugal, Spain, and others—and eventually even the German *Mittelstand* did that, despite the fact that they undermined their own existence through this process.

Now, the Stability Pact prohibits state investment programs. But for Germany, which de facto has 9 to 10 million unemployed, and France, which has a shortage of 6 million productive jobs—that large unemployment is increasing the costs of the supposedly necessary reforms, in dimensions which simply are not payable. Now, if further austerity is imposed on these European countries, it will lead to a complete destruction, a complete detonation. And I think a foretaste of what could be the writing on the wall for all of Europe, is the crisis which erupted in the *banlieues* in France.

In Germany, another example should be a warning sign, and that is the austerity policy of [Heinrich] Brüning: The brutal austerity programs which Brüning imposed at the time, escalated unemployment to the level of 25%, and made Hitler's power grab eventually possible. Now, today, the euro, the Maastricht Treaty, and the Stability Pact, are blocking the *duty of the state* to protect the common good. And I fully agree with the four professors who sued against the euro at the time, and where the Constitutional Court in Karlsruhe only gave a provisional "okay" to the euro: that indeed, the euro *is* a violation of the German Constitution.

Now, the goal of the euro—and I think this is something which one can only understand from the standpoint of a Synarchist approach—the aim of the euro was, from the beginning, to eliminate the model of the social state, the *Sozialmarktwirtschaft* [social market economy] conception, which had been developed by such people as Ludwig Erhard and [Karl] Schiller, and which originally came out of the reforms made by Bismarck, which were copied from and inspired by similar changes in the United States, at the time.

Now, we already have an unbearable injustice in this country. Lyn was talking about East Delhi: Well, we have our own East Delhi, almost, in Germany, and that is those people who have the misfortune to have plunged—innocently—into long-term unemployment, which in Germany, with Agenda 2010 and Hartz IV, means the de facto plunge

into poverty. You have people who, for no reason, have become unemployed, who are now quickly reaching the point of simply, totally falling down the ladder, to homelessness and similar conditions. So, if you have that really horrible state in Europe, and you have *now*, on top of that, a derivatives catastrophe, of which, among others, Jochen Sanio warned, then it is very clear: You will have a complete collapse into chaos.

And, as I said, *there is no contingency plan!* The European governments sit there, knowing all of these things—and we have had talks with bankers, also people representing government ministries and so forth—behind closed doors, they agree with Mr. LaRouche, they say, “Yes, yes, you are quite right, that is the situation. *But*, we do not agree with your solution. We do not agree with the paradigm-shift you are proposing.”

Now, I think the urgent question that we have to solve, and I hope that this seminar does something to catalyze that: We have to learn the lesson from '89, where governments—at least the German government—did not have a contingency plan. And we must have, quickly, in each European government, a contingency plan *now*, for the eventuality of a blow-out of the system.

### **An Effective ‘Contingency Plan’**

Now, the good news is what Lyn was referring to: that the Democratic Party in the United States, has been moving in the recent weeks, and especially recent days, very powerfully in the direction of FDR and John F. Kennedy, the space program. And when Nancy Pelosi, the Minority Leader in the Congress, and Congressman Miller in response to the Saturday Bush radio show, were outlining the Moon-landing program as the best example for a successful collaboration between the state sector, private enterprise, universities, all working together in the case of the Moon-landing; and they proposed that that kind of state/private cooperation should be put on the agenda again, and they named the name of the new policy, called “Discovery, Innovation, and Growth.” They both stressed that 40 years ago, that kind of collaboration, that partnership between the public sector and the private enterprises, led to the largest progress in science, health, technology, and living standards; and that what was the intention of the Democratic Party now, was to revive that American ingenuity, again.

Now, if the Democratic Party has the attitude of FDR and John F. Kennedy, at least, concerning the aspect of the Moon-landing space program, then I think, what is now forcing itself [onto the agenda]—and Lyn’s argument that sometimes when there is no other alternative, it forces certain solutions through—and that is the case right now concerning the American auto sector, which is about to go bankrupt completely, and out of business, which would eliminate one-third of the American machine-tool capacity right there. And then, if you add another third concerning the space program, then

America would very quickly plunge from a superpower, into a Third World country, and that will force, right now, exactly that change.

So, I think that, when this happens, Lyn was saying, one step will lead to all the other steps, because you can not save the American auto sector, without putting into question completely the financial architecture, and eventually to go back to a New Deal, and a New Bretton Woods policy. And when that comes, this will be the chance for Europe, and Germany, to regain its currency sovereignty.

I think what we should be looking at, is to put the New Bretton Woods question on the table, fairly soon, with the changes from the United States. And at that moment, Germany should, in the context of the New Bretton Woods, go back to the D-mark. I think other countries have to do the same thing, because a government which does not control its own currency, does not control really anything.

The specific cooperation between Germany and the United States historically has had a very pivotal role in European history, in the history of the last 200 years; because in the same way that obviously France had a special relationship to the United States, Germany had this as well. Germany, or rather Prussia, was the first country which had a state treaty with the young America, from 1785. At that point, Prussia was the most modern state of Europe, and in the 19th Century, there was a very strong interaction between Germany and the United States. As a matter of fact, I could make a whole speech about that, but I only want to refer to the influence that the German Wilhelm von Humboldt education system had in the development of the university and school systems in the United States—for example, in New England, but also more broadly, based on Humboldt’s conception that all the universities had to be based on research and teaching as a unity.

Now, I think this is something we have to put on the table, again: a New Bretton Woods cooperation.

But, I think, the challenge is really a deeper one: We have to go back to the best traditions of the United States, and of Europe, but, in my case, of Germany in particular: Because, in the same way that the United States can only come out of this crisis if America revives its tradition of ingenuity and creativity, the same thing goes for Germany. After all, while America was number one in terms of having the first man on the Moon, Germany was once number one, in terms of being the people of the “*Dichter und Dänker*”, the “Thinkers and the Poets,” and I think we have to revive that Classical tradition, and become, once again, the people who invent, who compose, who simply go back to the Classical tradition of our culture.

Now, I think that only if we go back to a paradigm-shift, to periods when all our countries functioned, then we can make a positive policy for the future. But I think the question of preparing for the moment when the crisis hits, it’s not a “hobby,” it’s not an option: It is something which will decide the very survival of Europe.