

Only Glass-Steagall in the U.S. Can Break the EU Dictatorship

by Helga Zepp-LaRouche

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May 27—Now that former IMF Director Dominique Strauss-Kahn has, for several weeks, been incarcerated, the battle lines have begun to be clarified: On one side stands the financial oligarchy of the British Empire, which is shamelessly promoting its new variant of fascism in the form of an eco-dictatorship, while at the same time that defective construction, the euro, is on the edge of collapse. On the other side, support in the United States for a two-tier banking system (the Glass-Steagall standard) is powerfully on the rise. Over the weeks ahead, the survival of the nations of Europe will be determined by which of these two sides we put ourselves on.

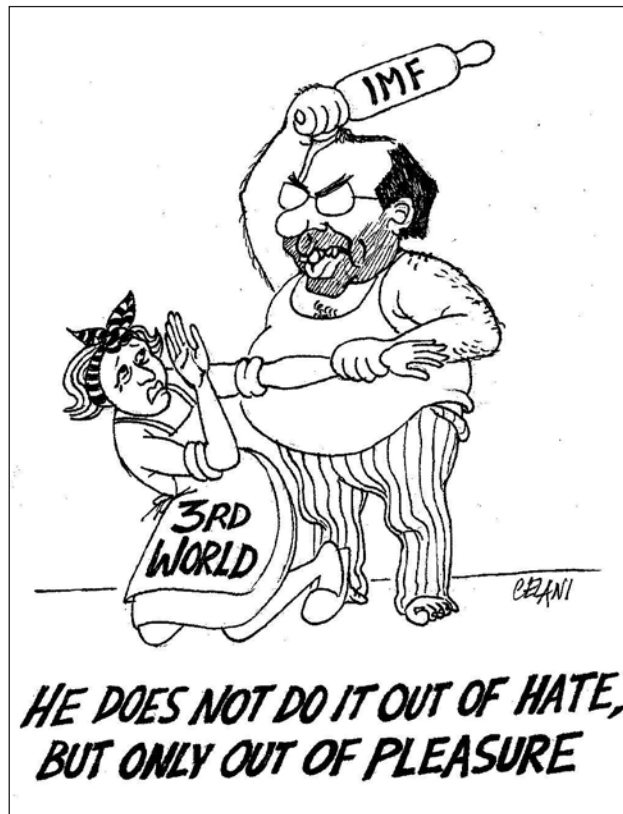
In the United States, H.R. 1489, the bill sponsored by Democratic Rep. Marcy Kaptur (Ohio), which would reintroduce the Glass-Steagall standard in the tradition of Franklin D. Roosevelt, is, at the present time, the hottest topic. Emboldened by the elimination of Strauss-Kahn, one of the most important members of Wall Street's "bailout faction," 11 more Representatives have signed onto the bill as co-sponsors, and a corresponding bill will shortly be introduced into the Senate, on a bipartisan basis. Already, leading labor

circles, such as the International Association of Machinists and the National Farmers Union, as well as entrepreneurs, state legislators, mayors, city councils, and even bankers are campaigning for the two-tier system.

In parallel, the Attorney General of New York State Eric Schneiderman, as well as the attorneys general of a number of other states, have expanded their investigations and potential criminal indictments against the Wall Street banks; in addition to the Bank of America, Goldman Sachs, and Morgan Stanley, Schneiderman has also taken on UBS, the Royal Bank of Scotland, JP Morgan-Chase, and Deutsche Bank Morgan Grenfell. All these cases involve charges that had already been specified in

the investigative reports of Financial Crisis Inquiry Commission head Philip Angelides, and Sens. Carl Levin (D-Mich.) and Tom Coburn (R-Okla.), namely, the deliberate sale of worthless financial paper, and knowingly false statements about mortgage-backed securities and the totally unregulated area of over-the-counter credit derivatives, as well as illegal transactions of the shadow banking world. [See *Economics* section—ed.]

While patriotic forces in America are finally beginning to reach the realization that the U.S. can only survive as a nation if the casino economy of Wall Street comes to an end, the governments of Europe are still showing no inclination to break with the diktat of



**HE DOES NOT DO IT OUT OF HATE,
BUT ONLY OUT OF PLEASURE**

This cartoon from the 1990s has become particularly relevant today.



Creative Commons/linmtheu

Greek youth take to the streets against austerity policies, shown here in front of Parliament on May 25.

the EU (read: the British Empire). As foolish as they are incompetent, they are trying to save the moribund European banking system and the gamblers' virtual deposits, while they force brutal austerity on the populations of the various nations. The only thing that they have accomplished thereby, is to arouse the population, especially the young generation, against them.

The Greek Detonator

For example, this week, 45,000 young people demonstrated in Syntagma Square in front of the Parliament in Athens; similar protest movements turned out in many other Greek cities, all of which have adopted the name of the growing Spanish protest movement, "The Outraged Ones." A general strike is planned for June 11.

Rage is growing not only against the austerity policy decreed by the troika of the IMF, the EU Commission, and the European Central Bank, which has lowered living standards in Greece by 25% in one year, but also against the new predatory proposal to squeeze out EU300 billion from the country by the privatization of state facilities. The payout of further tranches to Greece would be made dependent upon European corporate enterprises being able to take over the postal service, the railroads, the airports, and many other services in Greece.

"Out with the IMF Junta!" chanted the demonstra-

tors in Athens, with a clear reference to the parallel between the troika today, and the Greek military dictatorship of the 1960s. As a matter of fact, the European governments, especially the German government, are perpetuating themselves, in the eyes of the majority of the European population, as executors of the bankers' dictatorship, and the enemy of the general welfare. Because, contrary to the propaganda line in the popular press, it is not the Greeks (and the Irish, the Spaniards, and the Portuguese) who are the beneficiaries of the rescue package—the European banks are.

The chances are virtually zero that Greek membership in the Eurozone will survive the month of June, since the EU has demanded agreement from all the Greek political parties on the draconian austerity policy. As expected, at a special meeting on May 27, President Karolos Papoulias failed to force through an agreement, and, without further EU and IMF money, the country will have to declare state bankruptcy on June 29, at the very latest. Then, what is threatened is not only a collapse of the Greek banking sector, but the "infection" of the Portuguese, Spanish, Irish, Italian, Belgian, British, German, and French banks—in short, the entire European banking sector. The only other alternative within this moribund system, would be the printing of new money, and this would lead to a hyperinflationary explosion, as in Germany in 1923. In both cases, what's threatened is a collapse of Europe into economic and social chaos: famine, growing waves of immigrants and, finally, a New Dark Age. But there is a clear alternative to this.

Write Off the Financial Toxic Assets

Following the model of Roosevelt's Glass-Steagall law, the European governments and parliaments must enact a two-tier banking system, by which the commercial banks will come under state protection, and be provided with new credit, which must be given exclu-

sively to industry, agriculture, and trade. The rest—the investment banks, hedge funds, holding companies, and so forth—must immediately relinquish the tax monies they received as bailouts, and bring their books in order by themselves, which, in almost all cases, will lead to their insolvency. In reality, in this way, toxic assets in the range of several billion euros will be written off.

The best thing that citizens in Germany can do is to work with the BüSo to make these two options clear to the institutions in our country: chaos, or a two-tier banking system! If we can ram through the second option, Germany can still free itself from what was hopefully a temporary fit of mental derangement after March 11.¹

In fact, many policymakers abroad find the German situation quite incomprehensible: On the one side, the Merkel government has let itself be degraded into becoming the milk cow for a transfer union² within the EU; on the other side, it is committing an unprecedented act of *hara-kiri*, destroying the only economic basis for financing this policy by its phaseout of nuclear energy—alone, out of all the countries of Europe.

In China, for example, people are more than astounded by this German irrationality. The current General Secretary of the Chinese Nuclear Society (CNEA), Xu Yuming, declared that it is wrong for a country with so little raw materials of its own to abandon nuclear energy. “We invite experts to study and work with us,” he stressed, but also warned that German expertise will diminish in the future, the more its technical competence is lost.

Actually it is already foreseeable that China, which owes a large part of its expertise in nuclear technology to German scientists, will rise to become the scientific powerhouse of the future, while a section of the Germans fall for a new fascism in the form of an eco-dictatorship. But happily, there are also several courageous voices, such as the managing director of RWE Innogy, Fritz Vahrenholt, who are warning against the anti-democratic, jacobin thinking of the WBGU study,

1. After the March 11 earthquake and tsunami in Japan, Chancellor Angela Merkel reversed her policy of delaying the planned “phaseout” of Germany’s nuclear power plants. She decided to temporarily close the seven oldest plants immediately, while safety checks are carried out. She said that the situation in Japan “had changed everything in Germany.”

2. This is a term specifically created for this situation in the EU, meaning that the debt of one or more EU members gets transferred to one or more others; this is specifically ruled out by the Lisbon Treaty.

“Social Contract for a Great Transformation,”³ which is the basis for Merkel’s shift in energy policy.

Interestingly, this week’s British *Economist* magazine picked up the term used by the WBGU, the “Anthropocene,” by which they mean, with a misanthropic undertone, the Age of Industrialization from about 1800, when, in their view, the most damaging effects on the environment occurred through man’s activity on the planet, effects which must absolutely be undone. This abominable perversion not only stands in diametric opposition to the Christian image of man, but also to the concept of the Noösphere of Russian scientist Vladimir Vernadsky, which stresses the growing potency of human reason in the developmental history of the universe.

When, two weeks ago, WBGU Chairman Hans Joachim Schellnhuber held a symposium on “Global Sustainability” with the Swedish Royal Academy of Science in Stockholm, the Swedish professor Claes Johnson pointed out, in a scathing critique, that the whole thesis of the supposedly anthropogenic climate change originated with Swedish scientist Svante Arrhenius (1859-1927), who “discovered,” not only the greenhouse effect which results from CO₂ emissions, but also racial hygiene (eugenics); along with the infamous Gustav Retsius, Arrhenius was the author of the theory that the Nordic race was the highest developed form of mankind. Therefore the endorsers of the eco-dictatorship not only consider population reduction desirable “for the well-being of the planet,” but their thinking arises directly from eugenics. If any German government were to associate itself with such an idea, it would be a dangerous reversion to those bad old times which have actually been overcome.

In Germany and throughout Europe, we are currently standing at a crossroads: Not only the euro, but the entire global financial system has come to the end phase of its breakdown crisis. If we have learned anything from history, then we will now take up the initiative for a two-tier banking system which is coming from the United States, the program by which Franklin D. Roosevelt brought America out of the Depression in the 1930s. We must not commit the same mistakes we made in the 1930s, and react to the economic and financial crisis with Brüning-like austerity policies and fascist “solutions”—which this time might also come in the form of an eco-dictatorship.

3. The Advisory Council on Global Change (WBGU) advises the German government. See *EIR*, May 13, 2011.