HERR SCHÄUBLE'S 'SECRET' PAPER

Something Is Rotten In the State of Germany

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Aug. 27—The world financial system faces immediate disintegration. The situation today is far more dangerous than in 2008 after the collapse of Lehman Brothers and AIG, simply because today all fiscal instruments have been exhausted; and as a last resort, hyperinflationary money creation is being used, in the form of swap agreements between the U.S. Federal Reserve and European central banks. The most incredible thing, however, is that although any thinking person can see that civilization is about to hit the wall, not a single government in Europe or the United States is ready to implement the clearly available alternative, in order to avert catastrophe.

What is happening now in the face of this oncoming tsunami of the global financial system is simply outrageous. Chancellor Angela Merkel sees nothing "suggesting a recession in Germany"; the Chancellor's Office supposedly sees no crisis looming. In that case, why is the government maneuvering behind the backs of the population, and even of the coalition parties, to give unlimited power to an institution such as the EFSF [European Financial Stability Facility], which is not even democratically legitimized, and to support the hopelessly bankrupt euro system at the expense of the taxpayers and the common good?

The extraordinary CDU-CSU [Christian Democratic] caucus meeting of Aug. 23, prompted by the dramatically escalating revolt in those parties against the euro bailouts, a revolt which jeopardizes the vote in September on the broadening of the EFSF, was already tumultuous.

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On the morning of the same day, the monthly report of the Bundesbank criticized, in unusually harsh tones, the decisions taken at the July 21 Eurogroup finance ministers' meeting, charging that enlargement of the bailout would lead to a "pooling" of the debt burden and a further easing of monetary policy, and that it even threatened to weaken the institutional framework of the European Monetary Union (see *Documentation*). Ambrose Evans-Pritchard, writing in the British *Daily Telegraph*, noted that the language of the report sounded very much like that of the lawsuit filed by five professors and CSU parliamentarian Peter Gauweiler at the Constitutional Court in Karlsruhe against the first bailout, the verdict for which will be announced on Sept. 7. The Bundesbank report, he said, could be taken as offering arguments for the judges to accept the legal challenge.

But when they met on Aug. 23, the MPs knew nothing about Schäuble's secret paper. The participants in the meeting were thus all the more shocked to read in the next morning's *Handelsblatt*, that the Finance Min-

European Union

German Finance Minister Wolfgang Schäuble (right), meeting here with European Commission Vice President Joaquín Almunia. Schäuble's transmittal of the Eurogroup's plan for gutting the sovereignty of EU nations was leaked to the press, and is causing an uproar. But

ister had sent a 41-page paper to five unnamed politicians of the CDU-CSU, in which he presents his plans to increase the funds of the EFSF from EU440 to 770 billion.

The idea is that the Bundestag would give the EFSF general power of attorney to carry out measures for saving the euro, as well as more and more countries in crisis and—they blatantly admit it—actually the banks; the Bundestag would have no more say on the use (and soon, the increase) of the funds of that Luxembourg-based institution. One day later, it came out that the purported Schäuble paper had actually come from the EU in Brussels.

Indignation in the ranks of the CDU-CSU opposition escalated, and Bundestag President Norbert Lammert stated categorically that there would no carte blanche for saving the euro. Handing over budgetary rights and national sovereignty to the EU, he said, is irreconcilable with the Constitution. He expects a ruling to that effect on Sept. 7.

However, given the backdrop of scare stories built on constant intimations about "market nervousness," doubts remain on how firm the court will remain. After all, the president of the Constitutional Court, Judge Andreas Vosskuhle, stressed during the hearing on the complaint in July, that the Court would not judge the competence of the economic policy behind the rescue packages, only its compliance with the treaties and laws in force.

Suing the Constitutional Court

The dimension of what is at stake in the bailouts—i.e., the future of Germany as an industrial and social nation, and the well-being of the citizens for generations to come—prompted a group of 55 German entrepreneurs to take the Constitutional Court itself to court, to the European Court of Human Rights. The group, said its leader Prof. Markus Kerber, is accusing the court of "eroding the law," both on the national and the European level. The German government, he said, is endangering the property of citizens by the billions of euros of aid for Greece, Ireland, and Portugal (and now through the ECB purchases of Spanish and Italian sovereign bonds, we would add).

"What is happening is basically a coup d'état," led by French President Nicolas Sarkozy and his collaborator, Chancellor Merkel, Kerber stressed. The politicians can no longer fool the population, he went on, because "citizens know that all the measures taken so far for Greece, Portugal, and Ireland were unable from the start to solve the economic problems of those countries." Nevertheless, the German government wants to legalize the European Stability Mechanism in September, through a simplified amendment to the Lisbon Treaties. "In so doing, the government is simply continuing to violate the law," stated Kerber.

This group of entrepreneurs is serious; in another legal proceeding, they seek to have Constitutional Justice Udo di Fabio, who is also the rapporteur in the euro bailout case, dismissed from the case for conflict of interest. His assertions in 11 public lectures, they claim, raise serious concerns about his impartiality. Among many other examples, they provide a quote from di Fabio in *Focus* magazine, in which he spoke of the "conceptual boundary" in respect to the euro bailout, "which could only really be crossed by a courageous step towards a Federal [European] state." When a Constitutional Court justice, who is supposed to rule independently on safeguarding the nation's remaining sov-

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The BüSo organizing in Berlin, Aug. 13. "The Lesson from the Crisis Is: Glass-Steagall Now!"

ereign rights, has already advocated surrendering those rights within a European Federal state, he is obviously biased.

The System Is Finished

If you think about all of this, you can see that what is going on in our country is quite monstrous. If the alienation between the government and large sections of the population has reached the point that some people actually have to take the Karlsruhe Constitutional Court, whose chief responsibility is to protect the Constitution, before a foreign human rights court, then the foundations of society, which had previously been taken for granted, have completely given way.

And mind you, the whole bailout policy is intended to prop up a hopelessly bankrupt financial system, through deregulation of the banking sector that was approved by the government—at its most extreme by the Red-Green [the previous Social Democratic-Green] government, by the way—has become a ruthless mechanism for redistribution from the poor to the rich, with no hesitation to sacrifice human lives. In Spain, the government now wants to close 50% of health centers, just one expression of the drastic austerity policies being required by the EU and Merkel. And what about the patients who go to these 50% of clinics? Does Merkel perhaps want to decide personally which 50% receive treatment, and which do not?

The system is finished. Greece is facing imminent insolvency; all the parachutes are not enough to save Spain, Italy, and then Belgium and France—i.e., their banks. And the German taxpayer is *not* the lender of last resort for all the gamblers around the world.

The LaRouche Alternative

There is an alternative. In the tradition of U.S. President Franklin D. Roosevelt, a two-tier banking system must immediately be implemented, indeed worldwide. Perhaps hundreds of trillions of virtual titles must be wiped out and a credit system, following the example of Alexander Hamilton, the first Treasury Secretary of the United States, must finance investments in projects that rebuild the world economy. The expansion of the World Land-Bridge, the NAWAPA project [the proposed North American Water and Power Alliance] for North and Central America, the Eurasian Land-Bridge, a large-scale infrastructure program for Africa—all these investments in real production and the future of humanity could begin tomorrow.

It will all depend on whether enough people in the U.S. and the nations of Europe remember the ideals of freedom, sovereignty, and human dignity, and are prepared to shake off the yoke of oligarchical dictatorship, which governments that have clearly lost touch with reality are currently getting ready for them.

The Russian government is presently a positive exception among governments, since it has just confirmed its decision to finish a tunnel under the Bering Strait in the next 20 years, thus creating not only a connection between Siberia and Alaska, but also the potential for securing raw materials for a large part of humanity for the next hundred years.

The BüSo, along with friendly parties and organizations around the world, is building a movement to rebuild the world economy through a global infrastructure network, as well as such cutting-edge fields in science and technology as manned space flight; an early warning system for earthquakes, volcanic eruptions, and hurricanes; and high energy flux-density power generation, just to name a few. Join us!

Documentation

Bundesbank Slams Euro Bailout Policy

In its August monthly report, the German Bundesbank wrote that the decisions of the European Union summit on July 21 could "weaken the institutional framework of the European Monetary Union." Here are excerpts. Below is the Lisbon Treaty clause banning bailouts.

...The sovereign debt crisis in some member states makes very clear how important solid public finances are for a stability-oriented monetary union. On July 21, 2011, the heads of state and government of the Eurozone and the EU organs made further decisions to contain the crisis. It was decided to broaden the toolboxes of the EFSF [European Financial Stability Facility] and the ESM [European Stability Mechanism] considerably. Thus on the basis of a preventive program, they are supposed to be able to act to grant loans for the recapitalization of financial institutions, including to countries not participating in the program, and to have permission to intervene on the secondary markets for government bonds. However, it is still the case that assistance may only be activated in order to prevent an immediate danger to the stability of the Eurozone as a whole, in the sense of an *ultima ratio*, and that the financial assistance must be conditional on strict conditions. Moreover, the aid to Greece will be considerably increased, as a further aid program of 109 billion euros has been announced until the end of 2014. Private creditors should contribute to the funding, while their claims are partially guaranteed at the same time by the states extending the aid. The term of the EFSF's future credits to Greece, Portugal and Ireland were extended by 15 to 30 years. In particular, interest surcharges [premiums] on the refinancing costs of the EFSF were largely waived.

The latest agreements mean that far-reaching extra risks will be shifted to those countries providing help, and to their taxpayers, and entail a large step towards a pooling of risks from particular EMU states with unsound public finances and economic aberrations. This weakens the bases of the monetary union, which is based on fiscal responsibility of the state and discipline by the capital markets, while [these decisions] do not, in return, noticeably strengthen the possibilities for control and influence of the national financial policies. Altogether, the originally agreed-upon institutional framework threatens to increasingly lose consistency: Financial policy will continue to be decided by democratically legitimate parliaments on a national level. However, the resulting risks and costs will be in large part made up for by the community, and in particular by the financially strong countries, although they do not have concrete options for intervening into the sovereignty of the national financial policies. A global change in the European Treaties in respect to a democratic authority of a central body over national budgetary policy is not emerging for the moment. This poses the danger that the tendency of EMU [European Monetary Union] states to take on debts will increase, and that the common monetary policy will be exposed to greater pressure for slacker arrangements.

If no fundamental change of regime involving a far-reaching surrender of national fiscal sovereignity is to happen, it is imperative that the "no-bailout" rule—still enshrined in the treaties—and the related disciplining by the markets, should not be completely gutted, but, to the contrary, be strengthened again.

From the Lisbon Treaty

Article 125: The Union shall not be liable for or assume the commitments of central governments, regional, local or other public authorities, other bodies governed by public law, or public undertakings of any Member State, without prejudice to mutual financial guarantees for the joint execution of a specific project.

A Member State shall not be liable for or assume the commitments of central governments, regional, local or other public authorities, other bodies governed by public law, or public undertakings of another Member State, without prejudice to mutual financial guarantees for the joint execution of a specific project.