THERE IS LIFE AFTER THE EURO!

An Economic Miracle For Southern Europe And the Mediterranean!

by Helga Zepp-LaRouche

June 1—All of us—every nation in Europe, along with its citizens—now face a doubly existential crisis: The euro system, and the entire trans-Atlantic financial system, are in the process of total disintegration, which can be put off only for a few more weeks, by means of hyperinflationary injections of liquidity. This is the result of the failed system of the British Empire, which also, on the basis of the so-called Blair Doctrine, now threatens to draw us into a thermonuclear confrontation with Russia and China.

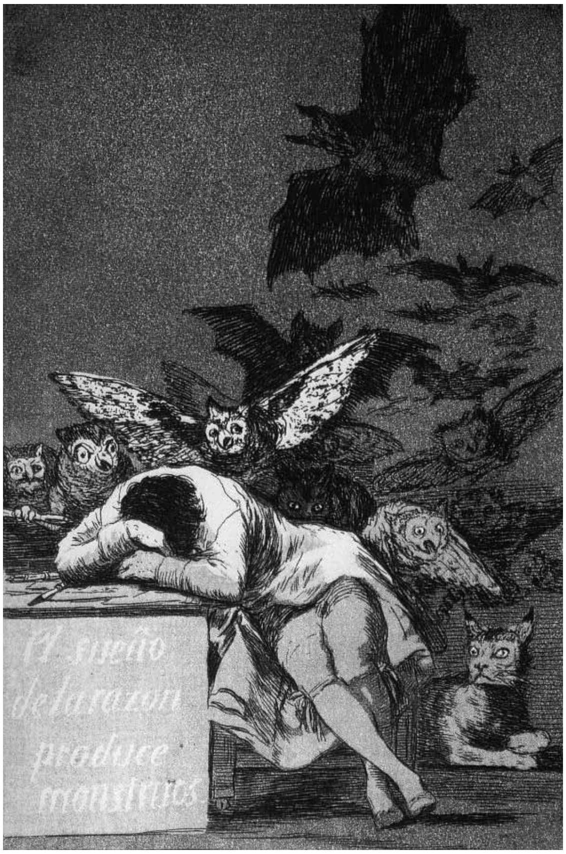
A solution does exist. That solution, however, is absolutely impossible within our current system. The hopelessly bankrupt system of globalization, and today's casino economy, must be replaced by a credit system that is oriented exclusively toward future investment into the real economy, with high energy-flux densities. Re-attaining national sovereignty is the absolute prerequisite for both economic recovery and the preservation of peace. We need to immediately establish a two-tier banking system in the tradition of Franklin D. Roosevelt, along with a credit system in the tradition of Alexander Hamilton and the FDR-era Reconstruction Finance Corporation, and we must return to national currencies, fixed exchange rates, and an economic reconstruction program for Southern Europe, the Mediterranean region, and the African continent.

The Euro Has Created a Monster

One might well paraphrase the title of Francisco Goya's famous etching to describe the result of the European Union's current policies: "The sleep of economic reason has produced monsters." For who could still have any doubt that the euro is a failed experiment? The situation in Greece, Spain, Portugal, Italy, and also in the Balkan states, is, in fact, hideous, and is already costing many human lives. This is not the fault of these countries' citizens; rather it is the result of the European currency union's flawed policies, and of the monetarist policies of the EU and of Europe's governments, which, especially following the outbreak of the financial crisis in July 2007, have merely continued a policy favoring speculators and banks, against the interests of the General Welfare.

The Eurozone, even from its birth, was not an "optimal currency zone." It ought to have been clear from the very outset to anyone with any economic common sense, that states with such divergent economic structures, and diverse languages and cultures, as Germany, Finland, Greece, and Portugal, could not develop harmoniously into a single currency union.

As is well known, the euro was not born out of solid economic considerations, but rather out of the geopolitical intention to bind the reunified Germany into the corset of the EU, and to force it to abandon the deutschemark. François Mitterrand's former advisor Jacques Attali later admitted that it was clear to all participants at the time, that a currency union could not function without political union, and that this birth defect of the euro had been intentionally designed to force Europe into political union later on! Precisely that is what we are witnessing now, with the advocates of union now attempting, under extreme crisis conditions, to use the introduction of eurobonds as a final step toward a federal EU state.



"The Sleep of Reason Produces Monsters," from the "Caprichos," by the Spanish artist Francisco Goya (ca. 1797).

The extensive powers which the European Stability Mechanism is to be granted—its governing council and directorate would enjoy lifelong immunity, and no accountability—would turn such a federal state into a total dictatorship serving the interests of the banks and the City of London. It would guarantee Europe's plunge into economic, political, and social chaos.

Twenty years after the signing of the Maastricht Treaty, a monster has been created; and 11 years after the introduction of the euro, many Eurozone nations are in danger of descending into African-level conditions—social collapse, rising death rates, infrastructure no longer maintained, most economic activity ground to a halt, one in two or three young persons unemployed, and skilled workers fleeing their homelands because they see no future there. The alleged boom in the Eurozone's so-called catch-up nations was in fact a bubble—and now that bubble has popped. When the flow of tourists begins to dry up, and when people can no longer afford second vacation homes, it will become clear that there was no increase in social wealth in these countries, and that there's still no adequate infrastructure and industrial capacity. Greece, for example, does not have a single rail connection to the rest of Europe, or to Asia!

But even the citizens of the so-called profiteer of the euro, Germany, have been left empty-handed. During its 11 years with the euro, its domestic market has shrunk, real incomes have declined, purchasing power has gone down, its health-care system has grown considerably worse, and the spectrum of its employment structure has worsened in the direction of cheap labor. Its ostensible special position as the "world champion of exports"—which primarily benefited the DAX 500 corporations, and much less, the small and medium-sized industrial firms—is quite understandably collapsing, just at the point when its export markets are drying up.

The EU's policies have not secured peace in Europe, as the propagandists of European integration would have us believe; rather, enmity among nations has never been greater since World War II. Instead of fostering the General Welfare and a sense of community, the Law of the Jungle is spreading its influence, with each out to save his own skin. A continuation of this policy, whether it be through brutal austerity in the tradition of Brüning,[1] or in the form of a hyperinflationary collectivization of debt, represents high treason against the very idea of Europe in the Christian-humanist tradition.

Strategic Confrontation Coming Next

The subjugation of Europe's nations under the British Empire's diktat not only means domestic strife, it also is drawing Europe inexorably into a strategic confrontation with Russia, China, and other Asian nations. Both Russia's President Vladimir Putin and its Prime Minister Dmitri Medvedev have made it very clear that

1. Heinrich Brüning was Chancellor of Germany (1930-32), during the Weimar Republic. His imposition of savage austerity is credited in part for Hitler's rise to power in 1933—ed.

Russia will not accept the undermining of international law as set forth in the UN Charter, and that a policy of violating national sovereignty under the pretext of "humanitarian intervention" will lead to the use of nuclear weapons.

The Obama Administration has adopted as its own the so-called Blair Doctrine, which claims that the era of the Peace of Westphalia is over, and that "humanitarian interventions" around the world should henceforth follow the interests of the Empire, obliterating the nation-state. The Obama Administration's so-called Atrocity Prevention Board has drawn up a long list of states, including Syria, Sudan, and many others, which are to be targeted for military intervention.

Tony Blair, the author of the lies that led to the Iraq War, has offered himself to Obama as an election advisor for the next six months, and while Blair was in the United States in May, he openly stated that, after he has helped Obama get re-elected, he intends to make another try for the British Prime Minister's office. The plan is clearly to rule the world on the basis of the Anglo-American "Special Relationship." Therefore, we have a confrontation of two irreconcilably opposed doctrines: the Blair Doctrine of the world as an empire, where sovereign nation-states no longer exist, and the Putin Doctrine, based on the defense of international law and the defense of national sovereignty.

The overlapping of the Blair Doctrine—according to which, NATO interventions against "rogue states" are possible anywhere in the world, even if member-states are "not directly affected"—with NATO's own policy toward the EU, especially since the adoption of the Lisbon Treaty in 2009, means that all countries in Europe will be drawn into potential confrontation with Russia, China, and other Asian states, without ever being asked, and without any right to veto.

The successive process of relinquishing national sovereignty to the supranational Brussels dictatorship—a process which has been largely kept out of the public eye—has brought us to a dangerous juncture. The pro-European political establishment, in its desire to belong, has become so accustomed to giving away its sovereignty, that any resistance against this imperial intervention policy—such as former Chancellor Gerhard Schröder's refusal to go along with the Iraq War, and Foreign Minister Guido Westerwelle's refusal to participate in the war on Libya—has been increasingly eroded.

In a somewhat different context, it becomes clear from European politicians' muted attitude toward the stationing of U.S. anti-missile systems in Europe, that what the Russian government has described as a potential *casus belli*, is by no means mere "propaganda," as some politicians have irresponsibly averred.

The same trend is evident in NATO's new strategic concept of "Smart Defense," which was presented by the head of British Armed Forces, Gen. Sir David Richards, among others, at the recent NATO summit in Chicago. According to this concept, NATO's 28 member-states must renounce all sovereign rights regarding both deployment of their own troops abroad and requisitioning of war matériel. Richards announced that yet another NATO conference, to be held in September, will settle this question of full NATO access, without any ability of elected national governments or parliaments to block it by veto. Richards is a Commander of the Order of the British Empire, along with his colleague, CBE Hans Joachim Schellnhuber, head of the German Advisory Council on Global Change (WBGU), who was likewise personally decorated by the British Queen for his service to the Empire.

The West, and a large part of the rest of the world, is dominated by the institutions of the British Empire, by which I do not mean Great Britain itself, but rather the London-headquartered system of globalization, i.e., the nexus of central banks, investment banks, hedge funds, holding companies, and insurance and reinsurance firms, whose primary interest is to maximize profits for a parasitic class, and to force a gigantic redistribution of wealth from bottom to top. And in practice, the EU, from Maastricht to Lisbon, is nothing but a regional expression of this system.

On the grounds of these two issues—economic self-interest and national security self-interest—the preconditions for Europe's nations to coexist with this EU, no longer exist. Therefore, every nation has the right, from the standpoint of international law, to exit from this union.

On the other hand, self-subjugation under the British Empire's regime of globalization, and under the EU as its regional expression, as it has developed from the Maastricht Treaty to Lisbon, would achieve precisely the opposite of its ostensible goal of preserving peace in Europe. It would lead to economic chaos and war, and thus it is tantamount to high treason against the peoples of Europe.

The Alternative

Two-Tier Banking and Credit System, and an Economic Miracle for Southern Europe and the Mediterranean Region!

Once we have psychologically digested the fact that today's trans-Atlantic monetary system is beyond salvation—either it will disintegrate in a sudden chain reaction, or else it will obliterate everyone's assets in Europe and North America in a hyperinflationary explosion, such as occurred in Germany in 1923—only then will our minds be equipped to turn to constructive solutions. By implementing a two-tier banking system in the exact tradition of the Glass-Steagall standard established by Franklin D. Roosevelt in 1933, commercial banks would be put under state protection as a first step, while the entire array of "creative financial instruments" and derivatives contracts would have to be struck from the books. A moratorium must be declared on all state debt, and the portion of indebtedness stemming from financing all sorts of bailout measures, would likewise be wiped from the books.

The EU treaties, from Maastricht to Lisbon, must be canceled, and national sovereignty over monetary and economic policy must be re-established. Competent feasibility studies for a "Plan B," comprising technical preparations for, and execution of an exit from the euro, have already been worked out by such experts as Prof. Dirk Meyer at the Federal Military College in Hamburg. An extended weekend could be utilized as a bank holiday to prepare the currency conversion, and to deal with account balances in checking and savings banks. German citizens, resident aliens, and foreign firms with German branches could have their cash assets stamped with magnetic ink. Time-limited controls on capital transfer and border traffic could prevent "non-sector" euros from being brought in, and procedures for timely reporting of assets could be adopted in the interest of preserving public order.

The exit from the euro must be followed by a transfer of the monetary sovereignty that was handed over to the EU, back to the respective national states; this can be accomplished by a quickly drawn-up resolution adopted by the European Council. A new national currency law could then legislate the adoption of the New Deutschemark, and likewise for other respective national currencies. The euro could continue to be utilized as a unit of accounting among national banks, as was done earlier with the European Currency Unit.

Our return to national currencies would generally be simpler, because we can make use of the experiences and procedures from the euro's introduction. The resulting costs are relatively small, compared with what would happen with a chaotic disintegration of the Eurozone.

Historical Examples of the Use of, or Failure To Use, a Credit System

In the United States, Roosevelt, with the help of a package of measures—the Glass-Steagall legislation, the Pecora Commission, the New Deal, the Reconstruction Finance Corporation, and the Tennessee Valley Authority—successfully led his country out of the Depression. But meanwhile, as we know, Germany took the route of Brüning's austerity policy, into Hjalmar Schacht and Hitler. Germany's government, however, has apparently not learned anything from these various examples, and the infamous Troika—the ECB, EC, and IMF—is imposing the same policy which led to catastrophe in Germany, only now on all of Europe.

But even back then, there was criticism in Germany against Brüning; and there were also economic policy proposals paralleling those of Roosevelt. St. Petersburg, Russia-born Vladimir Woytinsky, head of the statistical department of the General German Trade Union (ADGB), along with Wood Workers Association head Fritz Tarnow and Social Democratic Party (SPD) economic policy spokesman Fritz Baade, drafted an international program for solving the world economic crisis, which was named, after its authors, the WTB Plan.

Woytinsky wrote: "All peoples are suffering from the fact that our world economy is sick. They must therefore concentrate their efforts on joint action to overcome the worldwide crisis." And further on: "The funds which will be liberated by a policy of international credit creation, must be used for job creation, and for the implementation of an ambitious plan for European reconstruction." This plan foresaw the creation of productive jobs for 1 million unemployed people, to be financed via a 2 billion Reichsmark loan. In addition, long-term credits were to be issued at low interest and amortization rates against bonds which could then be redeemed at Reichskredit AG, and would be discountable at the Reichsbank. The ADGB agreed to this plan, but it was rejected by the SPD's leadership under Otto Wels, and by the SPD's so-called economic experts Hilferding, Naphtali, and Bauer.

As Woytinsky later wrote in his autobiography: "It was as if I were seeing before my very eyes how Brüning was leading Germany into catastrophe.... But one mustn't be too hard on Brüning and his errors. His false ideas were shared by many of his advisors in both his own party, and the Social Democrats. And if they hadn't supported his policy, he would quite possibly have abandoned them."

In tandem with the WTB Plan, Dr. Wilhelm Lautenbach, an economist with the German Economics Ministry, presented a memorandum based on similar principles, titled "Possibilities for Economic Revival through Investment and Credit Expansion," which stated:

"The natural pathway toward solving an economic and financial emergency is ... not shrinkage, but rather increased productivity." He wrote that there is currently the "paradoxical situation" whereby, "despite extraordinary throttling of production, demand continues to lag behind supply, thereby [giving rise] to ever increasing throttling of production." Under these depression conditions, there are "surpluses of goods, unutilized plants and equipment, and unutilized labor power." The exploitation of this strong but unutilized area of productive free-play, he wrote, is "the true and most urgent task of economic policy, and in principle, it is relatively simple to solve."

The state must "create new economic demand, which, economically, represents a capital investment. In this connection we can think of such tasks as ... public works, or works undertaken with official backing, which will economically signify a growth in the value of assets, and which would have to be undertaken anyway once normal conditions return"—road building, improvement and extension of railways, etc.

Lautenbach wrote in conclusion: "With such an investment and credit policy, the disequilibrium between domestic supply demand will be removed, and thus, all production will once again have a direction and a goal. If we forgo such a positive policy, we will be unavoidably steering a course into further economic collapse and the total ruin of our national economy—a situation which then, in order to avoid an economic catastrophe, would force new, large, short-term public indebtedness for purely consumption purposes—whereas today, we still have the option of drawing upon this credit so that productive projects can bring both economy and our public finances back into equilibrium."

Lautenbach also stressed that at such an early point, credit creation could still be put toward productive investment, whereas later on, it would have to be used for financing unemployment.

If the WTB Plan or the Lautenbach Plan had been adopted in 1931, the social conditions which made Hitler's coup possible two years later, would never have existed. Today we know what the catastrophe forecast by Woytinsky looked like, and we can either rush headlong into a far worse catastrophe, or else we can choose to follow Roosevelt's path.

The Credit System

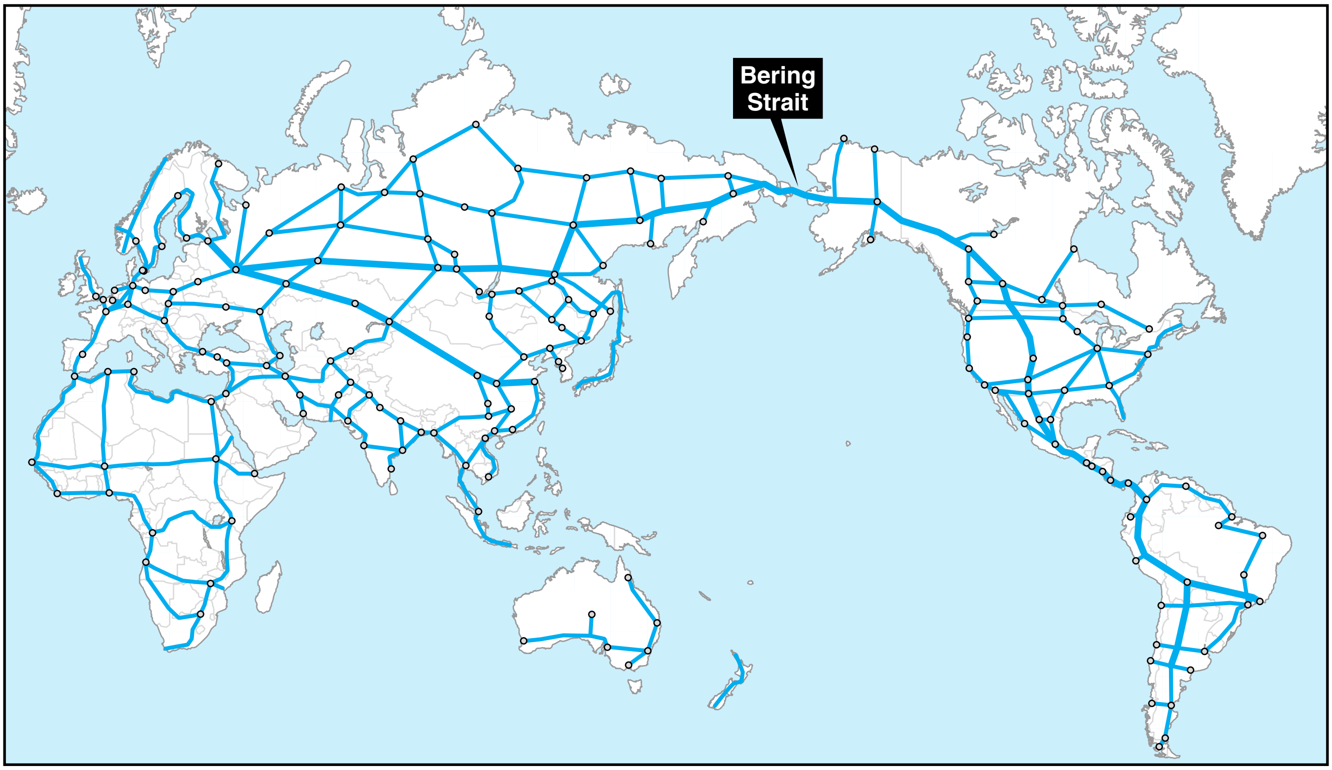
In 1923, Germans had to learn from bitter experience that money has no intrinsic value. Within a few short months, they saw their entire life's work swept away, even though, nominally, they were billionaires, or even trillionaires. Today, in the age of electronic money multiplication, securitization, and derivatives contracts, the evanescent nature of most of our money is even more obvious. The bursting of various bubbles in the new market, the secondary mortgage market in the United States, Lehmann Brothers and AIG, and the imminent bankruptcy of countless banks which would have long ago gone belly-up, had it not been for "bailout packages": In all these cases, the losses have been of virtual money, and thus they are, in fact, imaginary losses. Something that you have never actually owned, and which has only a virtual value, you're actually not losing at all.

Today's monetarist system has accumulated such a gigantic volume of these debt instruments in the form of outstanding derivatives contracts, securitizations, etc., that any attempt to honor all this past debt would invariably lead to hyperinflation. The only difference between now, and Weimar Germany in 1923, is that this time, we're dealing not with just one country, but with the entire trans-Atlantic region.

The credit system which must replace this bankrupt monetarist system is based on completely different principles. Money *per se* has a function in payment transactions, but much more important, is the credit which a sovereign state's national bank will issue

MAP 1

Main Lines of a Worldwide Rail Network, as Sketched by H.A. Cooper



Source: EIR, 1997

toward future production. The goal of this credit issuance is to build up the real economy, to create full employment, and to increase the entire labor force's productivity, by means of a scientific driver and targeted fundamental research. It is an application of the principles of physical economy, as these have been developed by Leibniz, List, Carey, Witte, leading up to Lyndon LaRouche.

The issued credits are directed toward future production—a real value, in which human productive ability, refined raw materials, and industrial capacity, create a surplus value which increases in tandem with the scientific and technological level on which that production takes place. Each country shall also create a national bank in the tradition of the first U.S. Treasury Secretary, Alexander Hamilton. This bank shall issue open lines of credit for financing well-defined projects, such as NAWAPA (the North American Water and Power Alliance), the building of a tunnel under the Bering Strait, the reconstruction program for Southern Europe, the Africa Pass, Transaqua, and so forth (see following articles). Via local and regional commercial banks, these credits will then be issued to the firms participating in these projects, and they, in turn, will contract with suppliers and hire employees, who will, in their turn, spend their income for the normal items required to sustain their living standard.

And thus, above and beyond the stimulation of production resulting directly from the projects, there will be a secondary revival of the economy as a whole. Given the large scope of the above-named and similar projects, full and lasting productive employment will be achieved, while at the same time, the employment spectrum will be shifted away from the services sector and into productive jobs in industry, research, and agriculture.

The historical examples of cases where this method of productive credit creation has been applied, demonstrate that the benefits reaped by the general economic upswing created thereby, along with the concomitant rise in tax revenues, will far surpass the volume of the

MAP 2

Eurasian Rail Network Plan as First Presented by LaRouche's Associates in 1992

Source: EIR

originally issued credits. Contrary to the creation of money for retiring the monetarist system's old debt, the credits issued as we have outlined here, will have an anti-inflationary effect, because the emphasis on scientific and technological progress will increase productivity.

'For Future Generations'

But we are also speaking here about great projects which will improve the lives of human beings for many generations to come. For those people in th e virtual stockbroker's world, who would rather indulge in hedonistic dancing around the Golden Calf, it might come as a surprising thought, but, in fact, the underlying purpose of an economy is to guarantee the long-term survival of the human species on a level that increases from generation to generation. The purpose of a credit system is to take the wealth created by past generations and "pass it onward, increased and enriched, to future generations," as Friedrich Schiller defined the meaning of universal history.

Mankind is not merely another species of animal which reproduces itself on the same level of development over the course of centuries and millennia; rather, man is the only species with the capacity for creativity, i.e., the capacity to develop its own natural resources to an ever higher level of organization. With our creativity, we can create something that outlasts our own lifespan: We invest in something which will benefit future generations, something which will afford them a degree of material and spiritual freedom which extends far beyond what we, as initiators, have achieved during our own lives.

The idea of a credit system is therefore by no means merely a technical improvement in our banking system; rather it is a harmonization of the financial side of our economy, with the continued existence of humanity for many generations into the future. Therefore it has, if you will, a spiritual dimension. The credit system is thus the instrumentarium which aids us in passing the value created by one generation, and enriched by us, onward to following generations. In order to make it clear that a credit system must be thought of as a human concept, one which places mankind at the very center of the economy, let me quote the concluding sentences from Friedrich Schiller's essay "What Is, and To What End, Do We Study Universal History?"

"There must burn within us a noble yearning to take the rich legacy of truth, morality, and freedom which we inherited from our forebears, and to pass this onward, richly increased, to the future world, and also to make a contribution of our own, and to firmly link our own fleeting existence to the eternal chain that winds through all human generations. As diverse as the future careers may be awaiting you in society, you can all put something toward this! Every action of merit opens up a pathway to immortality—to true immortality, I say, where the deed lives on and speeds its way along, even if its originator's name be left behind."

The crisis of civilization that is plunging us into a collapse of the trans-Atlantic financial system, ought to make it clear to even the most dull-headed among us, that we must bring our political and economic affairs into harmony with the ordering of the physical universe—if, that is, we are to avoid the fate which led to the extinction of earlier species. The universe, however, is not a closed system, with a "budget that needs to be balanced," but rather it is an anti-entropically developing, creative universe, whose energy-flux density and complexity of organizational structure is always increasing. And it is high time that we adapt our human economy to these underlying laws of the universe.

The concrete task of the credit system for reconstructing Southern Europe, the Mediterranean region, and Africa, flows directly from this universal task. On the one hand, national banking systems in each participating state must finance the projects described in the following sections of this report, by creating the required lines of credit. At the same time, long-term cooperation treaties must be concluded between sovereign states for joint work on international projects which straddle national boundaries, such as the extension of the Eurasian Land-Bridge's transport corridors into the Middle East, and, via bridges and tunnels, into Europe and Africa. These treaties shall have realistic durations of from one or two generations.

If we abandon the idea of quick profit, and instead dedicate ourselves to the task of eliminating the wretched condition of underdevelopment, by means of a program of reconstruction that will form the crucial basis for expansion of infrastructure and for economic drivers, then, out of the present collapse crisis, together with such projects as NAWAPA and the construction of the World Land-Bridge, we can set into motion the greatest economic miracle in human history. A new era of humanity can then begin.

This article was translated from German.