The Merkel-Hollande Summit: A Tango on a Volcano

by Helga Zepp-LaRouche

June 1—There is currently only one decisive battle in the trans-Atlantic region upon which the survival of most of the population depends: Either the growing movement for a global Glass-Steagall banking separation system will prevail, setting into motion the build-up of the physical economy and the creation of the real value that is necessary to maintain living standards and social systems; or the financial oligarchy will succeed in further eroding democracy and the rule of law, and in sacrificing everything to the Moloch of G-SIFIs (Global Systemically Important Financial Institutions). Then the final collapse of the world financial system through hyperinflation and general dispossession of the population will be only a matter of a very short time.

In this context, the joint position paper that German Chancellor Angela Merkel and French President François Hollande published at their meeting in Paris on May 30, sets out a common line for the next EU summit in late June. The document is an attempt to achieve a balance—an effort which is as laborious as it is useless—between "more Europe" [European integration—ed.] and less irritation of German voters, who are supposed to remain in the dark about who will be asked to pay.

While Hollande continues to call for "a real economic government" for the European Union, and the EU Commission wants banking and political union as soon as possible, the compromise means that the European Central Bank (ECB) indeed gets the status of a central resolution authority that can declare the Eurozone banks insolvent, while the national governments will be responsible for implementing this arrangement. Obviously, the German government feared that an agreement for unlimited banking union and the "Cyprus blueprint" [bail-in, or grabbing the money of depositors—ed.], barely four months before the parliamentary election, would create an uproar among more than just the savings and cooperative banks. These banks already expressed their opposition to the call, including having to pay for the gambling debts of foreign banks by drawing down their own savings bank guarantee funds. In an ad published in all major newspapers they warned: "The assumption of financial obligations for foreign banks would endanger the trust of our customers in the safety of their deposits."

The Franco-German position paper, however, belongs clearly to the "Sandman Department," whose job it is to throw sand into voters' eyes, so that they will sleep through the point at which they still could have fought for their survival. The paper gives in to Hollande's desire for a full-time president of the Eurogroup, who would have indirect authority over the national ministers, and also to the French president's desire for more frequent, perhaps monthly, Eurozone summits. The guidelines for a single bank resolution mechanism and a deposit insurance system are supposed to be ready by the end of June. For the near future, the fusion of the Single Resolution Mechanism and the European Stability Mechanism (ESM) was formulated as a goal! So why the walking on eggshells?

Given the dramatic new developments in the banking sector in Southern Europe and the impending crash in the bond market, it is more than doubtful whether the strategy of the Merkel government, of allowing only half of the cat out of the bag between now and September, will bear fruit. The G-SIFIs or TBTFs ("Too Big To Fail") and supposedly also TBTJs ("Too Big To Jail") have mobilized armies of lobbyists to prevent even the slightest re-regulation by the parliaments, which would reduce their high-risk speculation. Their stated goal is to capitalize on the imminent crisis, following the emergency theory of Carl Schmitt,[1] to enforce a complete bank dictatorship.

1. Schmitt (1888-1985) was the "legal" apologist for the Nazi dictatorship. See profile in *EIR*, Jan. 6, 2006—ed.

Bundesregierung/Kugler

German Chancellor Angela Merkel and French President François Hollande in Paris, May 20, 2013. Their "tango" to avoid political pitfalls resulted in a joint declaration that will do nothing to solve Europe's financial crisis.

secret of the fact that the so-called bail-in-law, which is the legal basis for the Cyprus blueprint, was written by the International Swap and Derivatives Association (ISDA), on whose board all of the G-SIFIs are represented.

The report by Member of the European Parliament Arlene McCarthy (U.K.), "Reforming the Structure of the EU Banking Sector," a proposal for a "ring-fencing" of the banks, is headed for a June 10 vote in the Economic Affairs Committee of the European Parliament. But 486 amendments have been submitted, to ensure that there is not even a minimal form of separation of commercial banking and investment banking. Needless to say, these amendments were all submitted by MEPs who come from the stables of the banking sector.

Former Italian Minister of Economy and current Senator Giulio Tremonti puts it like this, in his new book *Uscita di sicurezza* (*Emergency Exit*): "What we have seen today in Europe and in some states, is only the beginning of something which, if we do not recognize it and if we do not oppose it, will become a growing transfer of power outside of republican democracy, in an unwritten—it no longer needs to be written, in fact—Enabling Act. The law for full emergency power, which was inspired by Carl Schmitt, and with this emergency is, I repeat, a new form of fascism. Financial fascism, 'white' fascism."

Revolving Door Between Banks and Politics

Here, the banking sector relies on the long-standing revolving door policy, which has successfully placed a large number of politicians in the parliaments who began their careers at the banks themselves. ECB President Mario Draghi and former Italian Prime Minister Mario Monti are obvious examples, but there are representatives at all levels. The revolving door from the banks to politics and back again, such as between Wall Street and Washington, is notorious. It is also no secret that the Berlin Ministry of Finance as well as the EU Commission allow their laws to be written from the law offices of TBTFs. The European Commission makes no

Motion for Glass-Steagall Grows

The good news is that the movement for restoration of true banking separation—exactly as President Franklin Roosevelt introduced it in 1933, and with which he led the U.S. out of the Depression—is growing on several fronts. The most important development of the past week is certainly the fact that in New York State, home of Wall Street, resolution K490 was introduced with 22 signatories from a bipartisan group of assemblymen. Three of these signatories are Republicans and eight are committee chairman. The law has been introduced into both houses of the U.S. Congress, and resolutions have been submitted to the state legislatures in 21 states so far, instructing their Congressmen and Senators to pass Glass-Steagall.

Happily, the same is now the case in Italy, where Glass-Steagall-style bills have been introduced in both houses of Parliament. In the past week, Senator Tremonti re-introduced his law, which had been introduced in the last legislative session. Also, a small but energetic faction for Glass-Steagall is growing in the European Parliament, and in France the state radio station declared that only a return to the original Glass-Steagall Act could provide a way out of the crisis. Yet, in Germany, so far, not a single member of parliament has come even close to addressing this topic. On the contrary, the red-green opposition [the Social Democrats and Greens] is falling over itself in its haste to get a banking union, etc. What conclusions should we draw from this?

In the event that the Troika, the monster consisting of the EU Commission, ECB, and IMF, with its combination of bailout and bail-in, i.e., money-printing and expropriation of depositors' accounts, should have its way, Europe will plunge into an abyss, of which Greece and Cyprus only give a mild foretaste.

There is a real alternative to this. If the U.S. Congress passes the Glass-Steagall Act, which is increasingly becoming a realistic possibility, then Europe must do exactly the same. The only chance for an orderly reorganization consists in the simultaneous introduction of the Glass-Steagall banking separation act, the termination of all EU treaties, from Maastricht to Lisbon, the re-introduction of national currencies, the creation of a credit system in the tradition of Alexander Hamilton, and the immediate initiation of a development program for Southern Europe. combined with urgently needed, long overdue infrastructure renewal in Northern Europe, as well as stimulating the economy with the help of a science driver and technologies with high energy-flux densities.

There is no middle ground between these alternatives—financial fascism and a fall into chaos, or the regaining of national sovereignty and economic reconstruction. The idea propagated by some, that we in Europe do not need Glass-Steagall, but could instead return to the old, highly regulated banking, obviously comes from the ivory tower. We don't have the time, and we currently lack the parliamentary majorities for traditional re-regulation. Unfortunately, it must be assumed that the emergency will not be long in coming, and then it will be a question of power. Therefore, the solution can only come from a change in the United States.

What we can do here in Europe, is to prepare parliamentarians to act when that happens.

Translated from German by Daniel Platt