Europe Must Fight Back Against US-UK Speculative Attacks

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The speculative attack by Wall Street and City of London banks and hedge funds against European countries, European banks, and the euro is now reaching a crescendo. The current European crisis does not derive primarily from economic fundamentals, but rather represents a cynically planned assault carried out by Anglo-American financiers, whose philosophy is the traditional Beggar My Neighbor. The goal is to shift the epicenter of the world economic and financial depression from London and New York onto the continent of Europe, and this operation has already partially succeeded. London and New York are exporting their own derivatives depression into the EU, using credit default swaps, corrupt credit ratings agencies, and their entire panoply of financial dirty tricks. We are not dealing here with the normal functioning of markets; we are dealing with all-out economic warfare.

The Wall Street zombie bankers are aiming at a chaotic breakup of the euro with the intention of buying up the old continent at bargain-basement prices. The jackals of the City of London are seeking to smash the euro as a means of breathing new life into the moribund British pound, thereby masking the fact that Britain is more bankrupt than the vast majority of EU member states. The Anglo Americans are also acting to destroy the euro as a possible competitor for the dollar in the role of world reserve currency for the pricing of oil, the activities of international lending institutions, and other functions. The dollar is now so weak and unstable that it can only survive through the downfall of all the alternative currencies.

Because of the arrogance and stupidity of the Eurocrats and Eurogarchs who are running Brussels today, and especially because of the monetarist incompetence of Trichet and the other officials of the European Central Bank, resentment against the euro and the ECB is rising in a number of European states. But those who are being swept up in the anti-Euro hysteria need to ask themselves why they have chosen to advance the destruction of the euro, when this project coincides so totally with the intentions of the Anglo-American financiers, who are clearly the biggest enemies of Europe and of civilized humanity in general. Many of the anti-Euro agitators have not thought concretely about where the successful accomplishment of their current campaign would actually leave them. It is certainly reckless and irresponsible to propose the destruction of the euro without having a viable and concrete alternative in mind.

The Euro's *Raison D'etre* in Self-Defense Against Speculative Attacks

By the time of the international monetary crises of the late 1960s that eventually destroyed the Bretton Woods system, it was clear that the economic integration of western Europe had become so advanced that wild fluctuations in the currency exchange rates among European countries would severely disrupt manufacturing and trade. Between 1971 and 1973, as the fixed parities of the Bretton Woods system were breaking up (with the active complicity of Nixon, Kissinger, and Milton Friedman), a number of European states grouped around West Germany established and defended fixed parities among their currencies. This was the old Europeans snake, which became a snake in a tunnel when some other countries became more loosely associated with it. This evolved into a European currency grid, and into the European Rate Mechanism attacked by Soros with some success in September 1992. Out of the ERM grew the euro.

The basic problem faced by Germany and its neighbors was that even 40 years ago, individual European currencies were destined to be mercilessly attacked by Anglo-American speculators. The German mark was constantly attacked by speculators going long, placing bets *à la hausse*, assuming that D-Mark would rise. This always tended to make the D-Mark so astronomically expensive that German exports would be priced out of the world market, causing domestic depression and social chaos. The other currencies, be they the French franc, the Italian lira, the Benelux franc, the Greek drachma, the Spanish peseta, and others were all candidates to be sold short by speculators betting *à la baisse*. As long as they stood alone, these currencies were sure to be pounded into dust, reduced to minimal values, thus creating runaway inflation and a catastrophic decline in the standard of living in the states. All this was long before the age of credit default swaps, when the arms available to speculators were relatively primitive compared to the present-day weapons of financial mass destruction, modern derivatives.

One of the basic motors of European integration was therefore the idea that any stand-alone European currency, whether weak or strong, would inevitably be massacred by Anglo-American speculation. It was only by joining together that these currencies could hope to put up a common front against the speculative predators. Individual fingers can be easily broken, but a fist is harder to fracture. There were many reasons for the creation of the euro, some of which were and are totally spurious, but the hope of joining together for common defense against international hot money speculation must be seen as one of the rational and valid purposes for a common European currency.

In 2008-2009, the Bank of England, the Federal Reserve, the British Exchequer, and the US Treasury began flooding the world with easy money being lent at virtual 0% interest to banks, hedge funds, money market funds, credit card companies, and other troubled financial institutions. This policy soon generated something approaching $20 trillion of hot money, which promptly fled the dollar and the pound to seek windfall returns in the hottest speculative markets of the world. Since so many dollars and pounds were being sold, a downward pressure emerged against these currencies no later than the summer of 2009.

The Euro Too Strong to Succumb to Frontal Attack in 2009-2010

In looking around for a way to shift the fury of the world economic depression onto Europe, the Anglo Americans were first dismayed by the poor chances of making a frontal attack against the euro itself. With about €1 trillion a day of turnover, the European currency markets were simply too big and too liquid for a direct assault, even by a wolf pack of the largest zombie banks. Therefore, Anglo-American financial strategists had to look for the weak points in the European system, where a speculative attack could hope to do the maximum damage. They focused their attention on the markets for government securities of some smaller Euro land countries – Greece, Portugal, and Ireland. The markets for these bonds were relatively narrow, shallow, and illiquid, meaning that a moderate influx of speculative cash could offer a considerable bang for the buck. Using credit default swaps to maximize the destructive power of speculative hot money, and with the help of the corrupt readings agencies and venal mass media, the Anglo-American financiers were soon able to create largely artificial crises in the public finances of these countries.

In May 2010, the German Finance Minister banned naked credit default swaps against Euro land bonds, and limited short selling in general. The failure of the other European countries to join aggressively in this ban and related measures has given the Anglo Americans an easy way to attack the euro.

Europe needed then and needs now to ban credit default swaps along with collateralized debt obligations as the two most toxic and dangerous types of over-the-counter derivatives, while at the same time imposing a 1% Euro-Tobin tax on financial transactions, with the proceeds being paid into the national treasuries to maintain the social safety net. If the speculation persists, certain forms of capital controls and exchange controls would be in order. These traditional methods of financial self-defense were and remain the key to warding off the current round of financial warfare.

These are the roots of the current European crisis – not the laziness of the Greeks and Portuguese, not the self-indulgence of the French, not the churlishness of the Germans, not the escapades of Berlusconi. Those who demand the breakup of the euro under these conditions are giving aid and comfort to a brutal enemy. They are also cutting their own throats.

The illusion is now widespread that a return to the individual European currencies, even under conditions of chaotic collapse, would represent a cure-all for the continent's economic woes. This is a radically anti-historical view, and quite fatuous.

You Can't Go Home Again, Europe

Nostalgics for the D-Mark and the other individual currencies need to recall Thomas Wolfe's masterpiece, *You Can't Go Home Again*. The process leading to the euro is largely irreversible, except under conditions of absolute, genocidal, chaotic disintegration. The main reason is that hot money speculation is now immensely stronger than at any time in the recent past, and possesses a devastating new weapon in the form of the credit default swap. Helmut Schmidt, the elder statesman of Germany, has warned that the D-Mark attempting to go it alone would be driven into intergalactic space by international speculation, leaving the German export sector totally ruined and the country in severe depression. Supposedly serious Greek economists appear on *Al Jazeera* to paint an idyllic picture of Greece once more using drachma and able to devalue its own currency, and thus capable of reducing its debt burden and making its exports more attractive at the same time. The problem is that the devaluation would not stop where these economists imagine, but would begin to asymptotically approach a value of zero. Or maybe the drachma, like the rasbucknik, the East Bloc monetary unit in the old Al Capp *L'il Abner* cartoons, would acquire negative value because of the added expense of paying sanitation men to come and take it away as waste paper. An isolated drachma, in short, would mean absolute immiseration and virtual genocide of the population of Greece, with an unimaginable hyperinflation of the prices of basic food staples, energy, and other imported necessities.

Most other countries would fall between these two extremes, but all would share in a common European ruin. Their only hope for survival would be to implement a Tobin tax, a ban on collateralized debt obligations and credit default swaps, capital controls, exchange controls, and other anti-speculative measures. But, since this is so, why go through the long agony of suffering just described and then attempt to fight the speculators from a tragically weakened, fragmented position? Why not take advantage of the stronger defensive line still afforded by the euro, and fight back against the speculators here and now?

Obviously, the euro needs a very radical reform. It was designed by Eurogarchs and Eurocrats as the basis for a neoliberal Europe of the banks and cartels – a monstrosity which betrayed the roots of European integration in a postwar convergence of social democratic pro-labor economics with Catholic social doctrine, typified by great Europeans like Adenauer, Schumann, and de Gasperi. The most obvious reform for the euro is the Europeanization of the European Central Bank, taking this institution out of the control of unelected and unaccountable cliques of bankers, and making it subject to public laws, debated and passed in the light of day by European Parliament that would become a serious institution in the process of assuming responsibility for the ECB.

1914, 1939, 2011 – Will Europe Commit Collective Suicide Again?

In the 20th century, Europe managed to commit collective suicide not once, but twice – in 1914, and again starting in 1939. Have the European elites learned absolutely nothing? Has the European public learned absolutely nothing? Is a third collective suicide – this time by a failure to prevent the catastrophic and chaotic breakup of the euro under Anglo-American speculative attack– really inevitable?

Those who advocate the demolition of the euro must explain why they insist on surrendering to the brazen aggression of London and New York. Why are they determined to appease Goldman Sachs, Barclays Bank, J.P. Morgan Chase, and the rest of the Anglo-American wolfpack?

The only way the euro can be destroyed is if the Europeans deliberately let this happen. For those Europeans who want to fight for their own independence and their own future, the following guidelines as suggested.

What Europe Must Not Do

A number of counterproductive policies must be strictly avoided.

No Austerity – Budget-cutting is a total failure in its own terms, since in the current depression reductions in government spending necessarily generate bigger deficits and more red ink in later years. The suicidal futility of austerity cuts has been dramatically demonstrated from Brüning in Germany 1930-1932 to Schwarzenegger in California to Papandreou today. The Greek deficit is growing because of budget cuts. A policy based on budget cuts will never balance the budget, although it may well destroy the economic and political system of nations during the attempt, opening the door to further economic breakdown and to fascism.

No Bailouts – The world derivatives bubble amounts to approximately $1.5 quadrillion ($1,500 trillion or $1, 500, 000,000,000,000), which adds up to about 25 times the total world gross domestic product of perhaps $65 trillion, although this latter figure would need to be deflated to remove speculative hot air. The European share of the world derivatives bubble is certainly in excess of one third, meaning more than $500 trillion. This sum alone exceeds the capacity of the planet Earth to generate credit and liquidity. It is a black hole capable of eating up the exertions of all of the central banks of the globe. It cannot be bailed out. Derivatives can only be disintegrated, meaning in practice shredded or deleted. The fate of civilization itself rides on understanding this problem. Mrs. Merkel is on the wrong track.

No Eurobonds — Because the bankruptcy of the European banks is largely a matter of their kited mass of bankrupt derivatives, it is also futile to borrow money from China or from Dilma of Brazil. Barroso's plan must be defeated.

No Recapitalization of Banks to Mask Derivatives Losses — No amount of recapitalization could ever hope to cancel out the derivatives which are hiding inside these banks. Under Secretary of the Treasury Henry Paulson, the US zombie banks were allowed to keep their toxic derivatives in their vaults, even if they received bailouts from the Treasury and 0% Federal credit from the Fed. These zombie banks still do not and cannot lend. There is no point in repeating the failed American experience in Europe.

No Sixpack — The budget reforms known as the sixpack are an attempt to revive the Maastricht convergence criteria that limited European deficits to 3% of GDP. Maastricht was a plan to strangle the productive economy of Europe, and make sure that employment remained depressed. These failed policies should be jettisoned, instead of making attempts to revive them. Drink the sixpack, and you will end up with a monumental deflationary hangover.

No Leveraging of the EFSF — If the European economies have too much debt, say the Anglo-Americans, the answer is obviously to accumulate more debt by using the existing European Financial Stability Fund as collateral for wider borrowing. But this foolish suggestion would leave the EFSF wide-open to the attacks by credit rating agencies who act as thinly veiled proxies for Wall Street and the City of London. If the EFSF borrows big and then gets downgraded, the power of Europe to generate credit in order to create jobs (*Kreditschöpfung für Arbeitsbeschaffung*) in the tradition of Lautenbach and Woytinsky will be diminished. It is better to divert the EFSF into infrastructure investments.

No IMF — The meddling and bungling economists of the International Monetary Fund have left a trail of tears across the globe, and have never been able to point to a single story of successful economic development as a result of their prescriptions. The IMF is the bearer of the absurd and discredited Washington Consensus in economic policy based on deregulation, privatization, union busting, the destruction of the social safety net, the liquidation of the state sector, the systematic reduction of wages and benefits, and a generally barbaric race to the bottom. By 2008, there was a revolt against these draconian recipes, but they have now been imposed on Greece, Portugal, and Ireland. Europe must be the Europe of the peoples, and not the Europe of the banks and cartels. The failed neoliberal and monetarist policies of the IMF must have no place in European development.

What Europe Must Do

Liquidate Zombie Banks; End Too Big to Fail — About a dozen of the top European money center banks are clearly insolvent, and are being kept alive because of political considerations. These Euro-zombies are benefiting from the continental version of Too Big to Fail. These banks do not and cannot provide commercial lending for new plant and equipment that could create new productive jobs. Instead, they trade in toxic derivatives, increasing the size of the world derivatives bubble. They also add to the crushing burdens on the productive economy by speculating in commodities and energy futures, all of which makes the depression worse. They also gouge their own customers with outrageous fees. These banks serve no constructive social or economic purpose. They must be subjected to bankruptcy proceedings, and their derivatives wiped out.

1% Euro-Tobin on All Financial Transactions — European leaders must ignore the hysterical opposition and sabotage coming from Secretary Geithner, Chancellor Osborne, and a few of their Trojan horses inside the EU, and proceed to enact a robust Euro-Tobin in the form of a 1% tax on all financial transactions, emphatically including derivatives. The European economy cannot survive as a casino of derivative betting. A 1% Euro-Tobin will serve to subdue speculation in general, and particularly to bridle the activities of the insolent and sociopathic hedge funds, who seem to delight in tearing down the civilization of three thousand years. The United States had a de facto Wall Street sales tax from World War I until 1967, and New York State continues to have one today, although successive governors have foolishly insisted on sending the proceeds back to lower Manhattan. Even in a US administration dominated by Wall Street influence like the current Obama regime, a top economic adviser like Peter Orszag strongly advocated a Wall Street sales tax, only to be browbeaten into submission by Larry Summers, one of the architects of the derivatives deregulation during the second term of Clinton, who screamed that a plan to tax Wall Street turnover represented absolute evil. The money coming from the Euro-Tobin should be paid into the national treasuries of the individual European states, where it should be earmarked for maintaining the social safety net – not for bailouts or other financial activities.

Universal Cancellation/Freeze of Derivative Debts — In June 1931, US President Herbert Hoover – whose name is now synonymous with immobilism and capitulation in the face of economic depression – reacted to the collapse of the Austrian *Kreditanstalt* and the imminent failure of the German *Danatbank* with the Hoover Moratorium, a most instructive policy for our times. In those days, the two most dangerous and oppressive categories of debt were the reparations imposed on Germany, and the war debts owed by the Allies, principally France and Great Britain, to the United States. Hoover proposed and obtained a freeze on all payments of interest and principal on this crushing debt burden by all the interested parties for the period of one year. The fatal flaw of the Hoover moratorium was that it needed to last longer – at minimum, for five years or for the duration of the world economic depression. Today, the most dangerous type of international financial debt is debt based on derivatives. It should be subjected to a moratorium of at least five years or for the duration of the depression, whichever lasts longer. Hoover is considered a failed president, but he appears as a giant compared to the feckless officials of our time. The world urgently needs a statesman capable of advocating effective measures to alleviate the debt burden which is presently crushing the future of humanity. In a choice between civilization and the sanctity of debt, we must choose civilization.

Ban CDS, CDOs — In line with the same reasoning, the most dangerous kinds of derivatives need to be permanently prohibited. During his appearance before Congress in May 2010, even Lloyd Blankfein of Goldman Sachs advanced the idea that Collateralized Debt Obligations should be banned. As for Credit Default Swaps, they are either illegal as gambling, or else, if they are considered insurance, they are illegal because their issuers did not fulfill the legal requirements – including reinsurance, cash reserves, etc. – that are demanded of registered insurance companies. As stated above, the greatest single cause of the current European financial breakdown is the inability of the European Union to ban Credit Default Swaps on all European stocks and bonds, subject to stiff criminal penalties. It should be recalled that all derivatives were illegal in the United States from 1936 until 1982 under the terms of the Commodities Exchange Act. The ill-advised deregulation of derivatives between 1982 and 1999 must be considered the single greatest factor in the financial tempests of the past three years.

Raid the Ratings Agencies — Reports have surfaced in the United States that credit ratings agencies have engaged in insider trading by giving speculators advance notice of their attacks on US Treasury bonds. Italian prosecutor Michele Ruggiero has provided a profile in courage with his raids on the offices of credit ratings agencies in Milan, and he deserves a continent of imitators. When President Kennedy was engaged in his confrontation with the House of Morgan in the form of United States Steel, JFK mobilized Robert Kennedy's Justice Department and FBI to put the fear of God into these malefactors of great wealth, thereby carrying the day. Are there no European officials with the courage of a Kennedy? Either the national states will declare the zombie banks and their associated apparatus, including the credit ratings agencies, in default and liquidate them, or else the zombie banks will find ways to bankrupt and destroy the national states, leading towards a new dark age of neo-feudalism.

Debt Moratoria Now for Crisis Economies, Who Should Stay in the Euro – Some countries, like Greece, Portugal, and Ireland, have already been brought to their knees by the relentless speculative attacks of the Anglo-American zombie banks and hedge fund hyenas. Once these countries find that they can no longer sell their bonds on reasonable terms, they need to draw the obvious consequences and retaliate by declaring an immediate, unilateral, and total debt moratorium on all international financial debt. There is no shame or opprobrium involved in doing this. Great nations, including Brazil, Mexico, and Argentina have done precisely this with varying degrees of success over the past three decades, as have a host of smaller states — including Costa Rica, a country that notoriously has no military forces whatsoever. Once the debt moratorium is in place, these sovereign nations can confront the rapacious and predatory bankers on an equal footing, and can usually attain a goal of reducing their total indebtedness by at least half. Greece is already experiencing all the pain of a debt moratorium, without any of the benefits. There is absolutely no reason for any country declaring a debt moratorium to leave the euro. When the United States had existed for about as long as a united Europe has today, the Jackson-van Buren panic of 1837 lead to default and bankruptcy for the states of Mississippi, Louisiana, Maryland, Pennsylvania, Indiana, and Michigan. None of these states thought for one minute about leaving the Union merely because they had gone bankrupt. Fragile indeed is a political construct that even considers excluding one of its organic components simply because of financial difficulties, which history shows to be a recurring disturbance in human affairs. The debt, in short, must be radically reduced, precisely so that Europe might live.

Europeanize The ECB, Set Up a Rediscount Guarantee for Infrastructure Bonds — Contrary to many superficial analysts of the Soros school, the most dysfunctional feature of the current European system is the European Central Bank, today ruled by the incorrigible Trichet, and soon to pass into the even more sinister hands of Draghi. The rules of the ECB make it impossible to carry out an economic recovery policy, which must be based on dirigism, neo-mercantilism, and protectionism. The ECB as currently constituted cannot distinguish between parasitical speculative activity on the one hand, and productive investment in capital goods, infrastructure, and hard-commodity production on the other. Nevertheless, the inherent credit-creating capacity of the ECB represents a vital resource for European economic recovery. The ECB must be taken permanently out of the control of secret cliques of unelected and unaccountable bankers and subjected to the democratic control of representative political institutions. The only conceivable way to provide democratic legitimacy for the ECB is to have the size of the European money supply, the interest rates that will be applied, and the approved categories of lending be determined via public laws debated and approved by the European Parliament in the full glare of public opinion. Given the undeniable fact of a world economic depression of unprecedented proportions, the leaders of European states need to take the lead in declaring a state of economic emergency that should allow them in practice to suspend the existing rules of the ECB to allow this institution to begin purchasing successive tranches of €1 trillion each of bonds and securities of European nations, super-regional authorities, regions, provinces, and municipalities, with the money being exclusively destined for infrastructure and public works. In effect, the ECB must offer a rediscount guarantee for these new bonds. These bonds should carry a coupon rate of 0%, and should mature in the general time frame of 50 to 100 years, depending on the life expectancy of the infrastructure that is being installed. In general, the existing policy of near-0% credit for banks and other financial institutions should be recognized as a failure and definitively abandoned.

€1 Trillion For Infrastructure – These €1 trillion tranches of ECB lending should be used for the systematic modernization and expansion of the European network of superhighways, fast rail and maglev rail, modern energy production and delivery, water systems and canals, housing, hospitals, schools and other educational institutions , libraries, public buildings, and other necessary public works. The goal is to accomplish a permanent increase in the European stock of capital goods, while quickly upgrading the productivity of European labor.

40 Million New Productive Jobs for Full Employment – The best current estimate puts the total of unemployed, underemployed, and discouraged workers in the European Union in the neighborhood of 40 million persons. This is a tragic waste of some of the most qualified manpower to be found anywhere in the world. Any system which permits this outrageous dilapidation of human capital condemns itself to automatic oblivion. Modern productive jobs must be created which are capital-intensive, energy-intensive, high-value added, and compensated according to the best union pay scales, with full benefits. This is necessary to provide a level of household prosperity and culture that will equip the coming generation of Europeans to successfully face increasingly intense global competition. The capitulation to permanent levels of high unemployment which is embodied in the German Hartz system and in similar policies must be repudiated.

End Afghanistan, Libya, Kosovo, and Other Military Meddling – The era of colonial adventurism is definitively over, and to attempt to revive it is simply to court useless tragedy. All European troops must therefore be repatriated. It is time to turn away from any notion of neo-colonialism or neo-imperialism, since these too are radically anti-historical. Instead, it is imperative to foster a development community of sovereign states which would embrace Europe, Russia, Africa, the Middle East, and other parts of the world. Steps for the reform of the international monetary system to permit this kind of a world reorganization on the basis of reciprocal advantage should be undertaken without delay.

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