The European Stabilization Mechanism, Or How Goldman Sachs Captured Europe

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The Goldman Sachs coup that failed in America has nearly succeeded in Europe—a permanent, irrevocable, unchallengeable bailout for the banks underwritten by the taxpayers.

In September 2008, Henry Paulson, former CEO of Goldman Sachs, managed to extort a $700 billion bank bailout from Congress. But to pull it off, he had to fall on his knees and threaten the collapse of the entire global financial system and the imposition of martial law; and the bailout was a one-time affair. Paulson's plea for a permanent bailout fund—the Troubled Asset Relief Program or TARP—was opposed by Congress and ultimately rejected.

By December 2011, European Central Bank president Mario Draghi, former vice president of Goldman Sachs Europe, was able to approve a 500 billion Euro bailout for European banks without asking anyone's permission. And in January 2012, a permanent rescue funding program called the European Stability Mechanism (ESM) was passed in the dead of night with barely even a mention in the press. The ESM imposes an open-ended debt on EU member governments, putting taxpayers on the hook for whatever the ESM's Eurocrat overseers demand.

The bankers' coup has triumphed in Europe seemingly without a fight. The ESM is cheered by Eurozone governments, their creditors, and "the market" alike, because it means investors will keep buying sovereign debt. All is sacrificed to the demands of the creditors, because where else can the money be had to float the crippling debts of the Eurozone governments?

There is another alternative to debt slavery to the banks. But first, a closer look at the nefarious underbelly of the ESM and Goldman's silent takeover of the ECB . . . .

The Dark Side of the ESM

The ESM is a permanent rescue facility slated to replace the temporary European Financial Stability Facility and European Financial Stabilization Mechanism as soon as Member States representing 90% of the capital commitments have ratified it, something that is expected to happen in July 2012. A December 2011 youtube video titled "The shocking truth of the pending EU collapse!", originally posted in German, gives such a revealing look at the ESM that it is worth quoting here at length. It states:

> The EU is planning a new treaty called the European Stability Mechanism, or ESM: a treaty of debt. . . . The authorized capital stock shall be 700 billion euros. Question: why 700 billion? [Probable answer: it simply mimicked the

> $700 billion the U.S. Congress bought into in 2008.] . . . .
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> [Article 9]: ". . . ESM Members hereby irrevocably and unconditionally undertake to pay on demand any capital call made on them . . . within seven days of receipt of such demand." . . . If the ESM needs money, we have seven days to pay. . . . But what does "irrevocably and unconditionally" mean? What if we have a new parliament, one that does not want to transfer money to the ESM? . . . .
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> [Article 10]: "The Board of Governors may decide to change the authorized capital and amend Article 8 … accordingly." Question: . . . 700 billion is just the beginning? The ESM can stock up the fund as much as it wants to, any time it wants to? And we would then be required under Article 9 to irrevocably and unconditionally pay up?
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> [Article 27, lines 2-3]: "The ESM, its property, funding, and assets . . . shall enjoy immunity from every form of judicial process . . . ." Question: So the ESM program can sue us, but we can't challenge it in court?
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> [Article 27, line 4]: "The property, funding and assets of the ESM shall . . . be immune from search, requisition, confiscation, expropriation, or any other form of seizure, taking or foreclosure by executive, judicial, administrative or legislative action." Question: . . . [T]his means that neither our governments, nor our legislatures, nor any of our democratic laws have any effect on the ESM organization? That's a pretty powerful treaty!
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> [Article 30]: "Governors, alternate Governors, Directors, alternate Directors, the Managing Director and staff members shall be immune from legal process with respect to acts performed by them . . . and shall enjoy inviolability in respect of their official papers and documents." Question: So anyone involved in the ESM is off the hook? They can't be held accountable for anything? . . . The treaty establishes a new intergovernmental organization to which we are required to transfer unlimited assets within seven days if it so requests, an organization that can sue us but is immune from all forms of prosecution and whose managers enjoy the same immunity. There are no independent reviewers and no existing laws apply? Governments cannot take action against it? Europe's national budgets in the hands of one single unelected intergovernmental organization? Is that the future of Europe? Is that the new EU – a Europe devoid of sovereign democracies?

The Goldman Squid Captures the ECB

Last November, without fanfare and barely noticed in the press, former Goldman exec Mario Draghi replaced Jean-Claude Trichet as head of the ECB. Draghi wasted no time doing for the banks what the ECB has refused to do for its member governments—lavish money on them at very cheap rates. French blogger Simon Thorpe reports:

> On the 21st of December, the ECB "lent" 489 billion euros to European Banks at the extremely generous rate of just 1% over 3 years. I say "lent", but in reality, they just ran the printing presses. The ECB doesn't have the money to lend. It's Quantitative Easing again.
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> The money was gobbled up virtually instantaneously by a total of 523 banks. It's complete madness. The ECB hopes that the banks will do something useful with it – like lending the money to the Greeks, who are currently paying 18% to the bond markets to get money. But there are absolutely no strings attached. If the banks decide to pay bonuses with the money, that's fine. Or they might just shift all the money to tax havens.

At 18% interest, [debt doubles] in just four years. It is this onerous interest burden, not the debt itself, that is crippling Greece and other debtor nations. Thorpe proposes the obvious solution:

> Why not lend the money to the Greek government directly? Or to the Portuguese government, currently having to borrow money at 11.9%? Or the Hungarian government, currently paying 8.53%. Or the Irish government, currently paying 8.51%? Or the Italian government, who are having to pay 7.06%?

The stock objection to that alternative is that Article 123 of the Lisbon Treaty prevents the ECB from lending to governments. But Thorpe reasons:

> My understanding is that Article 123 is there to prevent elected governments from abusing Central Banks by ordering them to print money to finance excessive spending. That, we are told, is why the ECB has to be independent from governments. OK. But what we have now is a million times worse. The ECB is now completely in the hands of the banking sector. "We want half a billion of really cheap money!!" they say. OK, no problem. Mario is here to fix that. And no need to consult anyone. By the time the ECB makes the announcement, the money has already disappeared.

At least if the ECB was working under the supervision of elected governments, we would have some influence when we elect those governments. But the bunch that now has their grubby hands on the instruments of power are now totally out of control.

Goldman Sachs and the financial technocrats have taken over the European ship. Democracy has gone out the window, all in the name of keeping the central bank independent from the "abuses" of government. Yet *the government is the people*—or it should be. A democratically elected government represents the people. Europeans are being hoodwinked into relinquishing their cherished democracy to a rogue band of financial pirates, and the rest of the world is not far behind.

Rather than ratifying the draconian ESM treaty, Europeans would be better advised to reverse article 123 of the Lisbon treaty. Then the ECB could issue credit directly to its member governments. Alternatively, Eurozone governments could re-establish their economic sovereignty by reviving their publicly-owned central banks and using them to issue the credit of the nation for the benefit of the nation, effectively interest-free. This is not a new idea but has been used historically to very good effect, e.g. in Australia through the Commonwealth Bank of Australia and in Canada through the Bank of Canada.

Today the issuance of money and credit has become the private right of vampire rentiers, who are using it to squeeze the lifeblood out of economies. This right needs to be returned to sovereign governments. Credit should be a public utility, dispensed and managed for the benefit of the people.

To add your signature to a letter to parliamentarians blocking ratification of the ESM, click here.

Ellen Brown *is an attorney and president of the Public Banking Institute, http://PublicBankingInstitute.org. In Web of Debt, her latest of eleven books, she shows how* *a private cartel has usurped the power to create money from the people themselves, and how we the people can get it back. Her websites are http://WebofDebt.com and http://EllenBrown.com.*

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