

The Financial Crisis Slams into Europe

Do Americans Realize How The Crisis Breeds Global Chaos?

By [Danny Schechter](#)

Region: [Europe](#)

Global Research, March 08, 2009

8 March 2009

KREMS, AUSTRIA: Obsessed as we are about our own crumbling economy, it's hard for most Americans to see and appreciate the global nature of the crisis and how it is impacting and will impact others throughout the world. We don't recognize how many in other countries blame the fall of their own economies on a kind of "financial aids" born in the USA."

And even as protests spread with Britain just putting its own army on alert for fear of disruptions this summer by anarchists with bent on class war with slogans like "burn a banker," mass demonstrations show no sign of abating in France, Iceland, Ireland Greece and other EU countries. People here have politicized economic issues perhaps because of a more thorough and diverse media environment as well as an expectation that their governments have a duty to protect their people.

When I arrived in Vienna for a film forum and festival] at the Danube University, I was surprised to see merchandise and remainders marked down to flea market prices at stalls in the usual pricey booths at an airport usually only known for pedaling luxury brands.

Some think the European Union and the Euro zone may not survive the tremors. European Commission President Jose Manuel Barroso said on Friday. "The [European Union](#) is facing an unprecedented situation due to the economic crisis and needs to work at different levels to restore credit flows." He said the bloc's economy is expected to contract by 2 percent this year.

General Motors wants a bailout from European governments too with 32,000 jobs at risk.

Eastern Europe is feeling the crunch worst with its currencies reeling. Western Europe has so far declined to come to their requests for more bailouts from Hungary, for example, once a model for how the free market can replace Soviet bloc economics.

There are waves of protests underway in the East. Left publications report "thousands of demonstrators in Lithuania, Latvia and Bulgaria have attacked government buildings and called on their governments to resign as unemployment soars in Eastern Europe.

Experts predict a regional increase of 15 million to 18 million unemployed in the coming months, with no relief as jobs for immigrants disappear in Western Europe and the United States."

Writes Mike Whitney: "The global economy is decelerating at the fastest pace on record. 40 percent of global wealth has been wiped out. The banking system is insolvent, unemployment is soaring, tax revenues are falling, the markets are in shock, housing is

crashing, deficits are soaring, and consumer confidence is at its lowest point in history.”

When you look at some of the numbers, you can see the time bombs that are ticking away, According to Ed Bonawitz, many countries are in deep hock, “Ireland’s external debt, at US\$1.8 trillion, equals 900% of the country’s US\$200 billion GDP. The United Kingdom’s external debt of US\$10.5 trillion equals 456% of its US\$2.3 trillion GDP. Switzerland’s external debt of US\$1.3 trillion equals 433% of its US\$300 billion GDP.” Now that the credit markets are locked tight, renegotiating the terms of these loans is virtually impossible.’ U.S. Banks are said to have a loan ratio of around 26-to-1. And European Banks have one that is around 60-to-1.

F. William Engdahl writes: “The problems in Eastern Europe which are just now emerging with full force are, if you will, an indirect consequence of the libertine monetary policies of the Greenspan Fed from 2002 until 2006, the period where Wall Street’s asset backed securitization Ponzi Scheme took off.

The riskiness of these eastern European loans is now coming to light as the global economic recession in both east and west Europe is forcing western banks to pull back, refusing to renew loans or ‘rollover’ the credits, leaving thousands of borrowers with unpayable loan debts. The dimension of the eastern European emerging loan crisis pales anything yet realized...

According to my well-informed City of London sources, the new concerns over bank exposures to eastern Europe will define the next wave of the global financial crisis, one they believe could be even more devastating than the US sub-prime securitization collapse which triggered the entire crisis of confidence. “

Because of globalization and the interwoven nature of the world economy, what is happening there will make things worse for us here, Reuters reports: “A new report suggesting Eastern Europe’s economic slump will drag Western banks further into the red fanned fears that emerging economies will deepen the recession in the West. No wonder international agencies are up in arms.”

One issue that is just getting attention Europe is unregulated activity by Hedge Funds and controlling enormous amounts of money stashed in untaxed off shore accounts. European leaders have now agreed a tough stance on hedge funds, the highly speculative products that many blame for fuelling instability in financial markets. Another major issue involves Swiss Banks. US tax authorities demanded the names of 52,000 Americans banking in secret accounts to evade taxes.

Bloomberg reports: “In the past two weeks, Finance Minister [Hans-Rudolf Merz](#) said he’s willing to collect taxes on offshore accounts for the U.S., and Justice Minister [Eveline Widmer-Schlumpf](#) offered cooperation on some cases of tax evasion.

“That’s de facto abolishing banking secrecy,” said [Regula Staempfli](#), a Swiss political scientist in Brussels.”

There is also a darker dimension with reports that legitimate businesses are turning to the mafia and organized crime gangs for the billions they need

to stay in business. Douglas Farah writes in the Counterterrorism blog:

“There is strong anecdotal evidence that cartels from South America to Southeast Asia and Europe ...are stepping in to credit breach, building relations with businessmen desperate to stay in business, who would not normally look to the “informal” economy for a loan.

This will serve to extend the tentacles of these groups even further into the legal society and financial structure. As (one) article notes, “Stronger organized crime means a weaker state.”

A story in the Washington Post “says a new report estimated that organized crime syndicates in Italy – including Naples’s Camorra, Sicily’s Cosa Nostra, Calabria’s ‘Ndrangheta – collect about 250 million euros, or \$315 million, from retailers every day. That is about a billion dollars every three days, or about \$122 billion a year siphoned out of a single economy. Is it any wonder Italy is a constant economic wreck?”

If trends continue, there is apt to be more opportunities for the criminal class and more of a fusion between so the supposedly legitimate business world and the supposedly illegitimate one.

Tony Soprano, are you paying attention?

Regulators are also monitoring missing money. Here’s a headline from the Financial Times: “Lehman Brothers’ US liquidators have asked Barclays to explain what happened to an estimated \$3.3bn earmarked for bonuses and other liabilities that the UK bank received when it acquired part of the bankrupt Wall Street company last year?

Funny business like this seems to be part of the way this business is run.

Increasingly, banking bosses are sounding like mob underbosses. Here’s a quote attributed to Jimmy Cayne, former chief of Bear Stearns about Tim Geithner who engineered the sale of his bank to JP Morgan at a sizable loss:

“The audacity of that p- in front of the American people announcing he was deciding whether or not a firm of this stature and this whatever was good enough to get a loan ... This guy thinks he’s got a big d-. He’s got nothing, except maybe a boyfriend ... Who the f- asked you? You’re not an elected officer. You’re a clerk. Believe me, you’re a clerk. I want to open up on this f-r, that’s all I can tell you.”

This is getting nasty. It may be time to go to the mattresses. As economies crumble and the center doesn’t hold, as poet W.H, Auden wrote, things fall apart.

News Dissector Danny Schechter is making a film based on his book PLUNDER; Investigating Our Economic Calamity (Cosimo Books at Amazon.com) He apologizes for inaccurately quoting Karl Marx last week because of a web hoax. Comments to Dissector@mediachannel.org

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