The "European Stability Mechanism" (ESM) as a new Enabling Act for the suffocation of European states

The "European Freetrade Association" (EFTA) would be the necessary and reasonable alternative

by Dr phil. René Roca

The "European Freetrade Association" (EFTA) was founded by 7 Western European countries including Switzerland in 1960. Today the EFTA is left with only 4 remaining members, namely Iceland, Norway, Switzerland and Liechtenstein. In the aftermath of the second World War, the European states had initially aimed for a solid and sustainable foundation of their economic development with a big freetrade zone built around the "Organization for European Economic Co-operation" (OEEC). However the USA spoiled these European efforts. Their view of Europe on their geostrategic chessboard was that of some dependent "pawns" with vasal status. With this vision in mind the Frenchman *Robert Schumann* laid the cornerstone of today's European Union in parallel to the OEEC and later the EFTA, with US support and *Jean Monnet* as a background collaborator. Their very first treaty, the "European Coal and Steel Community", had put the six founding states on the wrong, i.e. supranational, track. Some "High Commission", endorsed and directed by the USA, had started to claim important elements of national states' sovereign rights. Today the EU is a "state union" held together by various treaties. With the Lisbon treaty the EU elite had recently imposed a kind of "constitution" on the member states, without discussion or voting of the affected cirizens, and this treaty is now to be amended by the "European Stability Mechanism" (ESM). That will finish off the last remains of financial and budget sovereignty. Supposedly the EU intends to solve their crisis that way, but the result is even deeper poverty and misery in unheard-of dimensions. The often hailed "European House", built on sand from the start, will be brought down by the ESM altogether, since even the last pillars of democracy and rule of law will crumble.

And still the OEEC had started with the will to lead Europe back to the democratic path by the "rule of law", out of the ruins left by the second world war. This had only been possible thanks to a foundation based on natural law and the intention to strengthen social market economy in a decentral, federal society. A global determination had emanated from this focusation of forces to leave all totalitarian ideas in Europe behind once and for all, with the UN charter and the declaration of human rights.

Developing this agenda further, the EFTA tried to continue the OEEC concept of co-operation and peaceful reconstruction. From the beginning it refrained from being anything else than just an economically focussed freetrade zone and aimed at getting rid of trade barriers among their

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Wouldn't the EFTA be the better solution?

Euro area in 2020 – Prospects for the period after the crisis

by Willy Wimmer

Seen from a global point of view the prospects for the euro and the tensions in the euro area represent a "crisis within the crisis". The euro crisis is a competition for economic systems and political spheres of influence that has already been observed for some time. The following general conditions are important:

Germany's future political role is uncertain; the publicly discussed possibilities range from "soft hegemon" to a far-reaching integration into a united Europe ("Germany, as we know it by now, will have disappeared within the next 20 years"). The question which economic model will prevail – the merely Anglo-Saxon-dominated ("shareholder value") or the continental European social market economy – is still to be answered. However, in a social market economy model, the more centralized, state-capitalist variant French pattern and the decentralized federal orientation of Germany face each other. The averted attempt of taking over municipal water utilities by foreign (state) companies is a positive example that social market economy organized in a decentralized way will prevail.

France with its centralized structures traditionally considers itself an antipode to the Anglo-Saxon model of capitalism ("shareholder value"), making it a mainstay of the continental European model. On the other hand, the French presidential election campaign reveals very different positions with respect to Germany and the euro. Therefore it is still an open question whether the position of Europe, and thus the euro, will be supported in future by the Paris and Berlin alliance.

In the USA the factional dispute also becomes evident in the presidential campaign. Traditionally, the Republicans represent the pure Anglo-Saxon model of capitalism, while Democrats increasingly take social elements in consideration and get closer to Europe on the political level. The latter are always confronted with the accusation of wanting to introduce a kind of European Socialism and compromise American interests.

Russia clearly answered the question of who should exercise control over their own resources – Russia or the international markets – in the course of the *Khodorkovsky* processes: Russia itself. The process was intended to push back unequivocally the attempted international influence on Russian natural resources.

The significance of the PR China in international politics increases (for example in the conflicts with Syria or Iran). China observes the rivalry between the systems in the West in order to control its own capitalism. The most important question is how the cohesion in society can be secured, given the increasingly unequal distribution of income. Currently this is only possible because almost all groups of society profit from the strong growth. Any growth rate of the GDP below 6.5 or 7% a year would put 16 to 17 million jobs at risk, with corresponding threats to internal stability.

In view of these general conditions, the question whether we will still have the euro currency in 2020 cannot be answered with certainty. There is a clear continental European, especially German and French, interest to secure the euro as a brace for a politically and economically united Europe. Governments will therefore do everything possible to overcome the crises in the weak member countries through appropriate aids – almost at any cost. •

(Translation *Current Concerns*)

The Goldmen

In praise of the conspiracy theory: Wolfgang Streeck gets to grips with the capital whisperers

by Jens Bisky, Süddeutsche Zeitung

What is meant by self-regulating financial markets? Obviously, these are markets regulated by *Goldman Sachs* itself, the sociologist *Wolfgang Streeck* said on Monday evening in a brilliant lecture. At the *Berliner Schaubühne* he – the director of the *Max Planck Institute for Social Research* – had a debate with his colleague *Heinz Bude* from the *Hamburg Institute for Social Research* on "dual power in capitalism". Apart from opinionated attitudes and moralism the German crisis debate predominantly summons up ghost terms; Streeck, however, found a form of sociologically enlightened crisis narration that allows seeing things more clearly, instead of giving up given the complexity of the world.

Streeck started by saying that democratic debtor nations had to serve two masters, the citizens and the "markets". However, who says what the "markets" want? There are finance technocrats that ensure that the creditors do not have to believe in the states proving to be good debtors and everything is done that the next generation can pay for what has long been spent. In Greece and Italy "confidants of the markets" have already made it to the top of the government.

And we are back again at *Goldman Sachs*, the New York investment banking and securities trading company, which has succeeded over the years to conquer political top positions and fill with employees and friends of the company. Just to mention a few names: *Robert Rubin*, for 26 years at *Goldman Sachs*, was made Treasury Secretary of the *Clinton* administration and in this role he arranged the liberation of markets from restrictive rules. He was assisted by *Larry Summers*, who also became his successor as Treasury Secretary. The deregulation they both propelled was one of the preconditions of the financial crisis in 2008. In the crisis year Summers, formerly president of *Harvard University*, did not only earn money at a hedge fund but also $ 2.7 million through contracts with *JP Morgan Chase, Citigroup, Merrill Lynch* and other banking companies. Summers was paid $ 135,000 for an appearance at *Goldman Sachs*. What was he paid for? A wonderful friendship? Or was it, Streeck asked, "anticipatory corruption", disguised as a consultancy?

Larry Summers became director of the *National Economic Council* under *Obama,* whose election campaign had been generously supported by *Goldman Sachs*. Shortly before Treasury Secretary *Henry Paulson*, CEO until 2006 at – right – *Goldman Sachs*, had let go bankrupt *Lehman Brothers*, the largest competitor of the investment bank; however, he saved the insurance giant *AIG* with taxpayers' money because billions were at stake there eventually – for *Goldman Sachs*.

You repeatedly encounter them: *Mario Draghi*, now at the head of the ECB, was previously European head of *Goldman Sachs*, the company that has enabled Greece to join the monetary union through giving instructions in creative accounting. At that time *Loukas Papadimos* was their partner at the Greek Central Bank. A quick look to Italy: In his function as EU Commissioner for Competition, *Mario Monti* has strongly helped to crush the public banking sector in Germany. Later this man whom the markets trust, advised *Goldman Sachs*. (The *Rolling-Stone* article "The Great American Bubble Machine", available at *www.rollingstone.com,* informs in detail about the history of *Goldman Sachs*.)

Conspiracy theories are seen as ungentlemanly. However, there are conspiracies, Streeck says. If we want to understand the crisis, we have to acknowledge both the "cumulative presence" of the "Goldmen" in American politics and meanwhile on a global level and the absurd fact that regularly those who have driven the car against the wall are called as paramedics. We have to speak of the experts' power techniques.

What is their expert knowledge? It is based first in mystification by scientification. Economy is almost exclusively treated mathematically, but if it becomes critical technocrats talk about the markets like psychotherapists talk about needy children: Then the markets are "shy", "anxious", tend to panic. Streeck does not deny the experts' intelligence, but their knowledge is often nothing but alleged. The decisive factors are equally networks, strategies for placement of important people and a willingness to systematically sail close to the wind. When it comes to skimmed value instead of added value, the knowledge of good old statecraft plays a crucial role. Intrigue competence is as important as financial engineering knowledge. The experts represent a special closeness to the "markets" whose wishes they translate into constraints. They are "capital-whisperers" which successfully besiege the western democracies. In the weaker, rebellion-romantic final section of his lecture Streeck said that outrage, "unreasonable perseverance", the refusal to be despised and skimmed, in short: *Occu-*

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member states without implementing any power politics.

All member states are equally represented with one vote in the steering committee, the EFTA council based in Geneva, to this day; decisions have to be made with unanimous consent which means that discussions have to continue until a good solution for all is on the table. This principle implies the ability to appreciate other positions and to reach a fair compromise. The EFTA convention does not entail the creation of any supranational bodies or competencies. Accordingly, the institutional structure of the EFTA is very simple and cost-effective as compared with the EU.

The EFTA council and member states emphasize to pursue only objectives of economic policies, without jeopardizing their national sovereignty. That is why no single state competencies ever had to be transferred to a common body. The EFTA countries agreed on a stepwise reduction of customs on their industrial products. They stressed that agricultural products were exempt from this trade liberalization. Any common agricultural policy would have violated the basic structure of a loose association. So far the EFTA has fared very well with these principles, without the ambition to develop into an EU-like entity according to the "Monnet method".

The EFTA still exists and now has to convince certain EU states to join them in order to eventually create the big European Freetrade zone in the 21st century at last. Together with the Council of Europe, the EFTA could potentially provide the preconditions for a new European social contract. Especially in today's social and economic crisis, the EFTA would turn into a source of hope that way, for the people of an independent Europe being able to live together in peace and freedom. •

The European Stabilization Mechanism, or how Goldman Sachs captured Europe

*by Ellen Brown**

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 EFSF* and *European Financial Stabilization Mechanism EFSM* 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 US Congress bought into in 2008.]

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?

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?"

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?"

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!"

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

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* 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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py could help. The experts were terribly afraid of the "irrationality of the masses".

In an essay for *Lettre International* (Issue 95, winter 2011) Streeck classified the current financial and debt crisis within the "endemic conflict between capitalist markets and democratic politics". In the postwar decades growth enabled a balance between social rights on the one side and "marginal productivity according to the valuation of the market" on the other. Among others, temporary workarounds in this conflict were toleration of inflation, acceptance of unemployment and of public debt, the deregulation of private credits. Now Streeck sees the "democratic capitalism" in danger if the states act as "debt collection agencies on behalf of an oligarchy of global investors".

Have we not all been entangled as "friends of the middle class", *Heinz Bude* asked, and are we not all interested in the functioning of financial markets, with our pensions, assets and future investments? – "You will be expropriated within the next ten years by Mr Draghi", Streeck replied. Politically, this is no answer, only a threat, just as the experts always threaten with the worst.

The question remains whether *Occupy* or less romantically minded are able to formulate political or union claims beyond the criticism of the system. That we do not want to see *Goldman Sachs* people in public offices for a long time would be one of those. •

Source: © *Süddeutsche Zeitung,* 18.4.2012

(Translation *Current Concerns)*

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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 J*ean-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*[1] 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.*"

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. •

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[1] *http://simonthorpesideas.blogspot.com*

Source: *www.globalresearch.ca/PrintArticle.php?articleId=30403*

It must be possible that banks go bankrupt

by Frank Schäffler and Norbert F. Tofall

The present, politically intended exemption of liability for banks contradicts all free-enterprise principles established under the rule of law. The below presented framework for the liquidation of over-indebted banks with maintenance of payment transactions would re-establish the market order.

By the decision of the G-20 from November 2008 not to let any systemically relevant bank perish and by the wrong acting of the central banks and governments our over-indebted major banks have got a potential for blackmail in their hands which has led to an exemption of liability for banks. This exemption of liability for banks contradicts all free-enterprise principles founded under the rule of law. The extortion potential of the banks consists of the threat that the banking sector and financial sector and the payment transactions would collapse if a system relevant bank would have to announce insolvency. Our western companies are fearfully taken in by this panic because we have given up the custom of thinking in ordered terms. Nevertheless, the extortion potential of the banks can be weakened if the overall interest of maintenance of the payment transactions is separated from the problem of bank insolvency.

Maintaining payment transactions

First: The decision of the G-20, not to let any systemically relevant bank perish, must be revised. Second: The governments answer the banks' threat to submit an application of insolvency at court, with: "Please, go ahead!" A market economy without an insolvency judge is no market economy. The same law valid for all other companies should apply to banks, as well. Third: The state takes on a guarantee for the private savings deposits at the insolvent bank and for the credits for companies of the real economy, which this insolvent bank has granted. Payment obligations of the insolvent bank to other banks that do not concern the accounts of the customers of the other bank but go directly to the other bank, however, are not guaranteed. Fourth: An insolvency administrator takes on the management of the insolvent commercial bank and makes sure that all payments for which a state guarantee is given are carried out properly. The refinancing of these payments takes place via the central bank as at present.

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The planned constitutional coup in May

ESM – Austria's path to collective suicide

by Dr Friedrich Romig *

Scheduled for May 2012 our government plans the great constitutional coup ("Putsch"). The parliament is to be compelled to say yes and amen to the *€ 700 billion-plus monster* called "European Stability Mechanism" and then keeps its mouth shut forever. The government wants to literally "incapacitate" *Parliament. The ESM is a giant mega bank which takes up the never reimbursable debts of insolvent countries (PIIGS) and then makes the rich countries (D, NL, FI, AT) and their citizens* service them. It is up to the finance ministers, who act as a "governors" of the new mega bad bank ESM, to decide in Brussels about vast sums of money which are to be raised and about where the money sis to go. *The gag contract* signed by Federal Chancellor *Faymann* on February 2nd which is pending for ratification in May *is a totalitarian attack on the constitutional right and the primacy of the national Parliament and the sovereignty of our state* in financial and budget affairs. In order to support of insolvent states we as citizens are deprived for generations from the funds that we need urgently to make ends at least half-way meet and to preserve our social networks from rupture, to maintain our infrastructure and to give our young people the education, they need for their survival.

What is the intention?

The single purpose of the coup is the debt relief of weak euro countries at the expense of the strong ones and their citizens. Now it is planned to do exactly what was explicitly excluded when the euro was introduced. Never would the Germans or Austrians have agreed to the introduction of the euro, if they had been told that they would have to pay the debts of other states or to stand bail for them. The idea of a "debt union" was as absurd as a "famine in Bavaria" in the nineties for all governments and even for Mr Euro *Claude Juncker.* This was fixed adamantly and unequivocally in the contract's "no-bailout" clause (now Article 125 TFEU). "A Member State shall not be liable for or assume the commitments … of another Member State". In addition, it was expressly forbidden that the *European Central Bank* (ECB) would start its money printing machines to finance public debt. Now what the ECB is doing is exactly that!

In May 2010, European Heads of State in cooperation with the ECB *broke this very contract* in a cloak-and-dagger oper-

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> "… deprived for generations from the funds that we need urgently to make ends at least half-way meet and to preserve our social networks from rupture, to maintain our infrastructure and to give our young people the education, they need for their survival."

* The author taught political economics at Vienna, Graz and Aachen. He was a member of the Europe-Commission of the Austrian Bishops' Conference. His latest book "Der Sinn der Geschichte" (Regin-Verlag, Kiel 2011; The Meaning of History) dwells on the serious consequences of the development from the European Union towards the "United States of Europe".

"It must be possible …"

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The payment transactions will be maintained in compliance with these four basic elements. In case of insolvency of a bank the computers are not turned off and the people are not dismissed simultaneously in this bank. By an application of insolvency of a bank the juridical liquidation of this bank is initiated. The payment transactions do not collapse by an application of insolvency of a bank if one does not allow collapsing it and changes the credit system law accordingly. A storming of banks will not happen if the state takes on the mentioned guarantee for certain payments and if the described scenario is understandably spread in public by the mass media so that the people must not be afraid of an application of insolvency of Deutsche Bank, the UBS or the Hypo Real Estate. In our unsecured state paper money system a 10-euro banknote is nothing else but a state guarantee and, therefore, does not differ from savings deposits if state property rights are granted for them. Therefore, from a withdrawal of the savings deposits no saver has an advantage compared to cash. It is vital that the payment transactions are maintained and that the saver is informed that his savings are not destroyed by a bank's insolvency. In this case it is not important whether one holds a 10-euro banknote in one's hand or whether one has lodged these 10 euros with a bank.

Positive effects of the liquidations

In this scenario it is excluded that the state covers all payment obligations of the insolvent bank. Of course this deliberate restriction of the acquisition of payment obligations of an insolvent bank A can lead to the fact that a bank B also must declare insolvency. For bank B too, the four mentioned basic elements of a bank liquidation scenario come to apply so that the payments can be effected from accounts of the customers of bank B to other banks and that loans granted by bank B to the real economy are secured furthermore and are not revoked. The payment transactions will not collapse by the insolvency of bank B but be maintained by an insolvency administrator in a controlled manner. Since of course also a bank C and additional banks could get in difficulties by the insolvencies of the banks A and B, it might happen that the whole over-indebted reserve banking subsystem would have to be liquidated, without collapse of payment transactions. Even a domino effect positively to be valued could result which makes other states – on grounds of the international interrelation of our financial management – take over this scenario for controlled liquidation from over-indebted banks with maintenance of payment transactions. Furthermore, the unsecured payment obligations between the banks and large parts of the money and credits created out of Nothing from former interbank transactions would be sent back to Nothing. This means that 'rubbish' assets, which feed the Bad Banks at the moment, would be destroyed.

Afterwards the juridically liquidated, formerly over-indebted banks could be sold. We could liquidate the snowball system controlling us of the over-indebted reserve banking subsystem and create a new monetary order, which corresponds to free-enterprise principles founded under the rule of law, without risking a breakdown of the whole payment transactions. Because that way the extortion potential of the banks is weakened and a regulatory policy would be possible in Europe again. •

With friendly permission of the author. First publication *Neue Zürcher Zeitung,* 25 April 2012.

(Translation *Current Concerns)*

"The planned constitutional coup in May"
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ation. A unique event: The leaders, who swore to the Constitution, *broke the law* and did what every citizen would be punished for. This was the *end of the rule of law in Europe*. Since this violation of law a series of illegitimate "emergency measures" were decided in about 10 summit meetings, which pushed paying euro member states even deeper into the debt quagmire alongside with the "shedded" debtors states, into which they now sink deeper and deeper and lose their freedom. Because, there is *no freedom without the rule of law.*

The coup by means of a new "Enabling Act"

With the ESM contract, virtually *uncontrollable, political and financial power* will be transferred onto a *small group of people*, consisting of the Finance Ministers of the Euro Member States, the so-called "Board of Governors" (Article 5).

The "governors" are allowed to raise the sum of 700 billion euro ESM authorized capital at their discretion at any time without limitation (Art. 8, Para. 2: Art. 10, Para. 1).

They are empowered to requisition the not yet fully paid capital. Contractor states have to meet these requisition demands within 7 days.

They can allow the ESM to take up unlimited credit (= Euro Bonds!) to finance weak countries and their banks (Art. 21).

The management of the ESM can execute transactions with anyone without any restriction. These managers as well as the governors enjoy immunity from prosecution, even if they risk or misappropriate funds (Art. 35).

The governors, management and employees have the right to silence and the duty to secrecy. They cannot be hold accountable by anyone outside of the ESM. They decide on their own revisors (Art. 26 – 30). In addition, they decide on their own salary and compensation. Both are exempt from state taxes and fees.

Laws do not apply to the ESM, neither existing ones nor future ones. No court can prosecute the ESM or access his property. Conversely, the ESM has the right to file a suit against anyone (Art. 32).

The ESM does not need any banking license for its banking business, nor is he under any financial supervision (Art. 32, para 9). The ESM can undertake virtually all banking financial transactions (Art. 14–21):

– It can give loans to euro zone countries (Art. 16),
– It can buy bonds issued by euro zone countries (Art. 17),
– buy or sell government bonds on the secondary market (Art. 18),
– fund banks (Art. 15),
– grant credit lines and drawing rights to euro zone countries (14),
– issue euro bonds (Art. 21),
– fix interest rates (Art. 20).
– The ESM can borrow without limit and leverage (Art. 21).
– At any time the list of transactions can be extended or modified (Art. 19).

This monstrous transfer of powers even brings the devoted EU advocate *Alexander van der Bellen* from the Green Party to breathe fire and brimstone as written in "Der Standard", dated March 30th 2012: "Only because the heads of government call for it, is not that members of parliament need to follow like sheep. Is *parliament* nothing but a time consuming *talking shop?* Is it now considered cheap populism, if members of parliament object to authoritarian structures?" His questions are justified, because the ESM-law (it has no name yet) is comparable only to *Hitlers* "Enabling Act" *in 1933.* This was justified in the Reichstag (23 March 1933) claiming "it is not sufficient for the intended purpose to ask the Reichstag for permission on a case per case basis."

Finance Minister *Ms Fekter* wants to "inform" a committee of the Austrian Parliament which, at best, will have "accompanying control", nothing more. To get the okay of the governing parties, she believes, will be a quick affair. And she is probably right in this. *Separation of powers is abolished,* the executive has put legislature under its control. In many cases the members of parliament are not even reading the laws which they decide upon, their understanding of complex financial transactions is limited. They do not realize that the forthcoming constitutional coup will deprive *Parliament* from its *budget* law, the right to represent citizens on *tax matters* by their consent. After all, at least FPÖ and BZÖ will reject the gag contract while the Green Party is going to agree. They are already negotiating with the government as van der Bellen tells us and the outcome of the negotiations between this *party of hypocrites* and government is already certain.

The coup is the real scandal

The coup by an inconspicuous change of the constitution, which will turn all original principles of the European Monetary Union (EMU) upside down, is the real scandal. The ESM is not even European Union law, but it is based on a separate international agreement, which calls a stock holding corporation ("a special purpose vehicle", i.e. an SPV) under Luxembourg company law into life.

But because the "Constitution" of the EU, the so-called "Lisbon Treaty" (TEU and TFEU), is of higher rank, international treaties by and between the EU members must not oppose the EU Constitution. Therefore, a *constitutional amendment is necessary.* This, supposedly "insignificant change in the constitution" is done *through an amendment to Article 136 TFEU (Treaty on the Functioning of the EU),* which cancels the *bail-out ban.* The amendment reads as follows:

"The Member States whose currency is the Euro may establish a stability mechanism that is activated when it is essential to maintain the stability of the Euro currency zone as a whole."

Accompanied is this creation by a "stability mechanism" via a "fiscal pact" that calls States to more fiscal discipline. However, as early as at the signing on March 21st, 2012 this fiscal pact turned out to be a *placebo* and was already broken. Spain announced that it would not adhere to the specific obligations. The fiscal pact is expected by experts to suffer the same fate as the "stability pact" with the famous "Maastricht Criteria" (3% deficit, 60% of GDP debt boundary). This former pact was also broken as early as at its introduction and later on, approximately more than sixty times. It is not worthwhile to scrutinze the new "fiscal pact" more closely as it only serves members of parliament as an *excuse* for their illegitimate and *unscrupulous consent* to the ESM. Quite apart from this, *Stephan Schulmeister* doubts the questionable usefulness of the Fiscal Pact with good reason: If the fiscal pact is implemented as planned, the rescuing of states will be prevented while those states allegedly "rescued" by ESM support will be forced into *depression,* dragging all other states along with them.

The regulation to establishing the ESM is to be done by the *"simplified treaty amend-*

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IMF's share of the bail out parachute (liability Euro countries!)	euro 250 billion
Guarantees for aid from the EU budget (EFSM)	euro 60 billion
Guarantees from the EFSF (predecessor of the ESM)	euro 780 billion
First Rescue package for Greece (bilaterally, including the IMF)	euro 109 billion
Private debt of Greece (for the most part the state has to pay indirectly in the form of gifts to cover bank interest rate differences and by lower tax revenues to)	euro 110 billion
ECB purchases of government bonds of the PIIGS (which will never be repaid!)	euro 220 billion
Target 2 liabilities of the PIIGS (will never be paid back!	euro 650 billion
Planned capital increase in the IMF through EMU countries	euro 50 billion

"The planned constitutional coup in May"
continued from page VI

ment procedures" in accordance with Article 48, paragraph 6, EUV (EU Treaty). The only purpose of this "simplified procedure" is the *elimination of the parliaments and the prevention of referendums* in countries where this is necessary for the ratification of international treaties and their alterations. As the ESM-contract turns the whole *Euro-construct* upside down, this is a *change of the constitution in its entirety* which *in Austria requires a mandatory referendum.*

To avoid just this, the amendment is simply declared being "insignificant" – while it is truly a subversive, *revolutionary* addendum – and thus *subject to the simplified procedure!* By this trick the Austrian parliament can dispose of the bail-out ban with just a *2/3-majority.*

Under the Lisbon Treaty and its "non-assistance clause" a *bail-out* is unmistakably *forbidden:*

"A Member State shall not be liable for or assume the commitments of central governments, regional, local or other public authorities, other bodies governed by public law, or public undertakings of another Member State, without prejudice to mutual financial guarantees for the joint execution of a specific project." (Art. 125 TFEU)

By removing this *center piece,* modeled on the German example of a "Stability Union", the European *Monetary Union becomes a debt, liability and transfer union.* A more fundamental constitutional provision, by which the original principles of the EMU will be completely changed, is *hardly conceivable.* This could be compared with the annexation of Austria by the German Reich in 1938. Then, too, the state of Austria ceased to exist. Before the elections to the national parliament, *Faymann,* now State Chancellor pledged his word that he would put *any fundamental change of the Lisbon treaties* to referendum. Now he is trying to escape this commitment with "dirty tricks" and will *break his word.*

In the debt quagmire for all eternity

The ESM contract contains *no resolution and exit clauses.* It commits all future generations of *our country for ever, to assume and pay for the debts of other countries,* at the expense of our own prosperity. *Liability* is *unlimited,* namely we have *assumed liability to take over the shares in the ESM of those countries that receive aid from the ESM or of those countries who do not fulfill their contractual obligations.* If all so-called "PIIGS" (Portugal, Ireland, Italy, Greece, and Spain) ask for aid, then our liability and payments can double or triple. In addition, IMF loans are repaid with priority, so that the risk of liability rises considerably. After the approval of the ESM, we as Austrians participate practically involved in a "society with unlimited liability," without the possibility to opt out and thus we "have become vulnerable to blackmail" (Prof *Hans-Werner Sinn).* We are thus on the certain "path to disaster" (Prof *Max Otte*). Ever since the first, still modest participations in the useless parachutes, we were unable to defend ourselves against the constant "increases" and "extensions" of those programs. Now, *payments and liability for us Austrians amount to more than 50 billion Euros!*

What the wealthy Euro members are already paying and liable for

For what and to which extent we Austrians are liable and what we have to pay – nobody knows. Ms Fekter recently mentioned a total of 40 billion Euros ("Der Standard", 1 April 2012) but then she forgot about the interest rates and the already occurred defaults, not least caused by speculations of domestic banks. Several banks have to make write-downs on their investments abroad which reduces tax revenues. This tax shortfall in turn must be covered by the citizens of Austria through raised payments. The already out of-control inflation adds to these increased taxes and has the effect of a "cold expropriation" of property and real income. ECB and central banks have opened the monetary floodgates; new blisters are on the horizon, they will burst sooner or later and lead to further burdens.

A partial list of largely uncontested payment and liability amounts for the whole of the Euro zone has the following positions:

In the enormous amount of euro 2.3 trillion (see table) older participations in the capital of the IMF or the ECB are not listed, which of course will never be repaid. Also, the losses of the ECB from the depreciation of bad debt and collaterals provided to banks can not be quantified as of today. Over the past few years the ECB has increased its balance sheet with the help of their money printing machines to around 3 trillion Euros, which is a triplication! And this in the presence of a stagnant economic output! For a long time, the ECB now falls short of taking care of its primary task: ensuring price stability.

Austria is involved in these huge sums with about 3%. How high the resulting risk will become can hardly be estimated today. We are stuck in a debt quagmire up to our necks.

The exit can be accomplished!

Nevertheless, the exit is feasible. The study prepared by the British independent-of-banks research institute, "Lombard Street Research" carried out for the Dutch, "Netherlands and the Euro" (on the Internet easily accessible!) comes to the conclusion that even an *immediate exit* will be much *cheaper* for the Dutch than a continuation in the monetary union until 2015 or beyond. Even if the payments made and remaining payment obligations would be fully depreciated, the value of the exit would be higher than the costs. The study once and for all invalidated the *claim* that the Dutch were *"profiting"* from joining the *monetary union.* In reality, the joining was associated with significant *loss of prosperity,* from the beginning onwards. Slower growth in GDP and real income per capita, growth in precarious jobs, higher budget deficits, higher unemployment rates, higher depreciation on current account surpluses, higher inflation, and loss of competitiveness compared to countries like Switzerland and Sweden show significant disadvantages of a membership in the monetary union. For the Dutch, an immediate exit from the euro zone would be advantageous. There is no risk for an exuberant rise in the exchange rate of its domestic currency (Dutch guilders).

Without doubt, the results of this thorough study can be transferred to Austria to a very large extent. It holds for Austria, as well that *the quickest possible exit from the monetary union, the non-participation in the ESM and the return to its own currency is by far the best option.*

But this creates an obligation for all members of the parliament, journalists, opinion-leaders and citizens concerned for the good of the country and future generations that they have to stand up with all their might and heart against this coup attempt. If we can not prevent this planned coup, the ESM mega bad bank is to lay down on us like an octopus with its tentacles, sucking the last drop of blood from our veins before we finally sink in the debt swamp. •

(Translation *Current Concerns)*

European peoples themselves are taking control of their financial destiny …

by Rachel Donadio, Giugliano, Italy

While Europe's financial overlords debate the wisdom of spurring growth by letting the European Central Bank print more money, some enterprising sorts in this semi-urban sprawl northwest of Naples are taking matters into their own hands, flooding Europe with counterfeit euros.

While the Campania region of southern Italy is known for its sunny skies, fresh produce and organized crime, counterfeiters in and around this town have made quite a name for themselves in law-enforcement circles by printing more than half the euro notes pulled from circulation in recent years by the central bank.

Although the authorities have also found illicit presses in France, Spain, Eastern Europe and South America and say that Lithuanians dominate some counterfeit distribution networks, Italy appears to have a particular artisanal flair for the printing arts. And its most accomplished practitioners can be found around Giugliano, where cementblock apartments abut fruit orchards and car dealerships and young African prostitutes stand amid the rushes on unkempt roads.

''In Italy, there's a great ancient and august tradition: Here, they make fake money done well,'' said Col. *Alessandro Gentili,* the head of the Carabinieri Currency Anti-counterfeiting Unit in Rome. ''Giugliano is still the capital. It has the best professionals.''

Quite a number of them, as it turns out. When the police rolled up some of the counterfeiting operations around Giugliano as well as in the more southerly Calabria region in January 2009, they arrested 109 people, reported another 165 to the local magistrates and made 162 seizures of illicit material.

Despite that operation, by far the biggest in recent years, Colonel Gentili says the counterfeiting continues, a tradition passed in many cases from father to son. This month, the police in the southern Puglia region arrested two men on charges of counterfeiting and said that organized crime groups around the city of Foggia had teamed up with those from the Campania region to produce a swarm of fake euros.

While Campania is dominated by the Camorra, the notoriously violent organized crime network, the authorities say counterfeiting is a peripheral line of business for the gangsters, who prefer to focus on more lucrative activities like toxic waste dumping, drug trafficking and illegal garment workshops.

''Organized crime certainly obtains a cut from this activity, and it can intervene to regulate its use in the market because it has economic interests in the area,'' said *Raffaele Cantone,* a judge in the Constitutional Court who has conducted wide-reaching investigations into the Camorra.

To the untrained eye, the counterfeit euros made by groups active in this area, what the authorities call the ''Napoli group,'' are reasonably convincing. But they look slightly off – they are printed on paper without a watermark, and the silver hologram catches the light differently compared with real euros.

In recent years, the authorities have found fake euros in Bulgaria, Colombia, Russia, Turkey, Iran and Iraq, countries with large cash economies where it is often easier to spend fake euros because bank and shop clerks are not so familiar with the real thing. Sometimes immigrants from Africa and Latin America knowingly buy fake euros in Europe and try to use them back home to buy property, Colonel Gentili said.

The euro has become the currency of choice for drug dealers, and fake euros have become part of their operations. Particularly popular is the €500 note, worth about $750, the largest value for any single bank note in the world.

Source: © *International Herald Tribune* 26 April 2012

Citizens coalition announces constitutional complaint against European Stability Mechanism (ESM)

A citizens coalition has announced a constitutional complaint against the permanent European Stability Mechanism (ESM) and the European Fiscal Pact. "If the treaties are ratified as planned until mid of July without referendum, the coalition will take legal action," the initiators in Berlin announced on 12th April.

The former minister of justice *Herta Däubler-Gmelin* (SPD) and the expert for constitutional law *Christoph Degenhart* were won over as representatives. The *Linkspartei* and the CSU politician *Peter Gauweiler* are planning constitutional complaints as well.

Complaint: surrender of control on national budget

It is criticized by Degenhart and Däubler-Gmelin that that in the course of the European Stability Mechanism (ESM) the control over the national budget was severely restricted. A line was crossed. The Fiscal Pact of 25 of 27 EU claims more budget discipline and national debt brakes are to be non-redeemable. The Commission and the Council of Ministers would obtain far reaching power over the national budgets without participation of the European Parliament or the national parliaments. Germany's level of liability for the ESM starting in July 2012 was unclear, they said.

The left party: parliament's rights are curtailed for eternity

Earlier the Ministry of Finance and experts of the Bundestag had pointed to the problem that Germany would eternally tie itself to the Fiscal Pact that Chancellor *Angela Merkel* had enforced. An unilateral termination of the pact was not possible. On end of March 2012 *Die Linke* had warned that through the Fiscal Pact the parliamentary rights were curtailed – for eternity in fact and that this was not covered by the German constitution. Faction leader *Gregor Gysi* stated: "With this treaty you are starting the foundation of a European Federation, the United States of Europe, in fact via a fiscal union." The German Constitution did not permit that. •

Source: r*edaktion beck-aktuell Nachrichten, Pressemitteilungen, Fachnews,* becklink 1019805

(Translation *Current Concerns)*