Editorial

A Pyrrhic Victory?

The long-awaited decision by the German Constitutional Court on the constitutionality of the European Stability Mechanism and the Fiscal Pact, issued Sept. 12, gave the proponents of the European financial dictatorship virtually everything they wanted. But one may well ask: Is this another Pyrrhic victory for the oligarchy?

While one must allow for some complexities in the legal ruling, to be clarified over time, consider the immediate implications of this decision. On the one hand, the court has approved, with various technical caveats, the next giant step toward the elimination of all sovereignty and economic sanity in Europe, by allowing the policy of hyperinflation, combined with murderous austerity to go ahead. On the other, as Lyndon LaRouche noted on the eve of the decision, it is precisely that policy which portends a near-term hyperinflationary explosion in the trans-Atlantic financial system, emphatically including the United States. Oops! A victory turned into a smashing defeat.

On the other hand, the content of what is permitted is stark.

Start with the Fiscal Pact. This treaty, now approved by most Eurozone nations, imposes on all signatory countries a strict "balanced budget rule," a purely monetarist deficit ceiling of 0.5% of GDP, and, in the event of "deviations" from the objectives, "a correction mechanism shall be triggered automatically." With that, the EU Commission will de facto be able to dictate what and how many cuts in spending must be made. And on top of that, individual states are not allowed to opt out of the treaty!

The second treaty, which was the major bone of contention in the German court case, establishes what is called the European Stability Mechanism (ESM), also known as the "permanent bank bailout mechanism." The powers awarded to the ESM are truly dictatorial.

Article 9.3 states that member countries "hereby irrevocably and unconditionally undertake to pay on demand any capital call made on them by the Managing Director," and that "such demand [is] to be paid within seven days of receipt."

Article 10 empowers the Board of Governors to "decide to change the authorised capital stock," i.e., demand more money from national governments, without consulting them.

Article 21 makes the creation of eurobonds, i.e., the pooling of debt, possible.

Article 32.2 gives the ESM "full legal capacity to . . . be a party to legal proceedings," presumably against debtors, and Article 32.3 grants the ESM full legal immunity: "The ESM, its property, funding and assets, wherever located and by whomsoever held, shall enjoy immunity from every form of judicial process. . . ."

Equally outrageous is Article 35: "the Managing Director and other staff members shall be immune from legal proceedings with respect to acts performed by them in their official capacity and shall enjoy inviolability in respect to their official papers and documents."

Thus, with the ESM in effect, the existence of sovereign nation-states in Europe virtually disappears, into a supranational bankers' dictatorship. The few fig leaves remaining—such as the demand that parliaments be consulted, and the like—are just that, fig leaves.

Most expect that the Federal Reserve, now meeting in D.C., will join in the new hyperinflationary orgy, in hopes of rescuing Obama's re-election bid. Will that ploy blow up in their faces, as worthless paper floods the world? Will sane forces, especially in the U.S., finally be moved to take action, starting with Glass-Steagall?