

Europe's "Troubled Assets" Bank Bailout: Germany's Chancellor Merkel Pushes for a Eurozone "Banktatorship"

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The Bundestag will have one chance to stop Angela Merkel's plan to provide hundreds of billions of dollars to underwater EU banks that made bad bets on sovereign bonds. If the German parliament fails to block Merkel on September 23, then-under the "expanded powers" of the European Financial Security Facility (EFSF)- insolvent banks will be bailed out and the costs will be passed on to eurozone taxpayers.

Despite her populist bloviating ("We won't be bullied by the markets"), Merkel is a devout Europhile committed to a fiscal union ruled by bankers and bondholders, a Banktatorship. Presently, she is doing whatever she can to hurry the process along before hostile bond vigilantes roil the markets and bring the EU banking system crashing down. This is from Der Spiegel:

"In a situation of market panic, the EFSF has to act quickly," Holger Schmieding, chief economist of Berenberg Bank, told the Financial Times Deutschland. "It could happen overnight or on a weekend." Guntram Wolff of the Brussels-based think tank Bruegel agreed. Parliamentary approval "must not take too long." ("Parliamentary Influence over Euro Bailouts 'Naive'", Der Spiegel)

Sound familiar? US Treasury Secretary Henry Paulson used the same strategy after Lehman Brothers collapsed in 2008 in order to blackmail congress out of \$800 billion via the TARP bailout. Once again, the fear of a financial meltdown is being invoked to stealthily extort money from working people. Here's a clip from another article in Der Spiegel:

"The banks are in fact in a bad way. Most of them still have a lot of Spanish, Italian, Portuguese and Irish sovereign bonds on their balance sheets, and it is not entirely clear whether these will ultimately be repaid in full. That in turn is fueling distrust among the financial institutions themselves and many have stopped lending each other money. They are only being kept alive because the European Central Bank (ECB) is making an unlimited amount of money available to them and are accepting securities as collateral that many investors no longer consider to be safe.

Better capitalization for the banks could alleviate this mistrust, because more equity means that the banks could better absorb losses from their sovereign debt business. Those institutions that are not strong enough to raise the money themselves on the capital market would have to be helped out with public money. There is hardly an institution that is better suited for that job than the EFSF." ("The Euro Rescue Fund Needs More Powers", Der Spiegel)

This excerpt is wrong in so many ways, it's hard to know where to begin. The EFSF was set up to prevent nations from defaulting, not banks. The idea that bond speculators can be compared to representative governments is laughable. The banks are in trouble because they made poor decisions and now must face painful haircuts on their investments. Shareholders should be wiped out and debts restructured. That's how the game is played.

What Merkel and Co. want to do is turn the system on its head and transform the EFSF into a permanent off-balance sheet SPV (Special Purpose Vehicle) authorised to distribute public money to failing banks. And it's all being done to keep their sketchy banker friends from losing money. So, behind all the baloney about "fiscal unity" and "consolidation of state finances", lurks the ugly truth that the eurozone is a two-tiered system whose financial architecture is identical to Enron. There's nothing democratic about a system that rewards profligate elites while shunting the losses off onto workers. That's just plain old kleptocracy.

The German Chancellor is joined in her struggle by colleagues at the ECB and the IMF. In fact, newly-appointed IMF chief, Christine Lagarde, is leading the charge for Euro-TARP, which may explain why she was rushed through the nomination process after Dominique Strauss Kahn stepped down pending his investigation on rape charges in New York.

In any event, Madame Lagarde has already shown that she's more than willing to do whatever heavy-lifting is required to achieve her objectives and to accommodate her wealthy constituents. . Here's how The Guardian summed up Lagarde's impressive resume:

"Christine Lagarde stands for protecting big banks.....she's the most pro-bank bailout of the lot." ("IMF under growing pressure to appoint non-European head", The Guardian)

Indeed. So, Lagarde has thrown her weight behind the bank bailouts, er, "bank recapitalization". Also she is a staunch advocate of "institutionalizing a European economic government", which means that she wants to establish a regime that is controlled by bankers and bondholders; Banktopia. At the same time, she insists that this new governing body have the power to intervene in the budgetary process of the eurozone sovereigns to "maintain our efforts to expand the scope of economic surveillance to include government deficits and public as well as private-sector debt, if necessary by imposing "political penalties".

Right. So, this new trans-EU government will be able to "crack the whip" on errant states that pass budgets that serve the interests of their people rather than those big capital. Meanwhile, Lagarde's EU Superstate will continue to impose the same policies it has since the onset of the financial crisis; large-scale privatization of state assets and services, and belt-tightening programs that keep the economy in a permanent state of Depression. Is this what's in store for the Eurozone?

Keep in mind, the banks are already getting bailed out through the ECB's bond purchasing program that keeps bond prices artificially high and averts a sovereign default. The fact that Lagarde is aggressively pushing for direct injections of capital, suggests that the condition of the banks is far worse than anyone had figured, which is why-according to the Wall Street Journal-"She suggested that the EU's existing sovereign bailout fund (ESFS) could be used for this purpose." It's a classic case of "bait and switch".

German parliamentarians have a chance to put an end to this nonsense once and for all. By blocking Merkel, the Bundestag can ensure that the eurozone's working people will not be ripped off for hundreds of billions of dollars or subjected to the autocratic rule of parasitic bankers. Let the banks pay their own bills.

No to EUROTARP.

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