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Financial Coup d'Etat in Europe: Government by the Banks, for the Banks

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Global Research, July 01, 2012
Web of Debt 1 July 2012

Region: Europe
Theme: Global Economy

On Friday, June 29th, German Chancellor Angela Merkel acquiesced to changes to a permanent Eurozone bailout fund—"before the ink was dry," as critics complained. Besides easing the conditions under which bailouts would be given, the concessions included an agreement that funds intended for indebted governments could be funneled directly to stressed banks.

According to Gavin Hewitt, Europe editor for BBC News, the concessions mean that:

> [T]he eurozone's bailout fund (backed by taxpayers' money) will be taking a stake in failed banks.
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> Risk has been increased. German taxpayers have increased their liabilities. In future a bank crash will no longer fall on the shoulders of national treasuries but on the European Stability Mechanism (ESM), a fund to which Germany contributes the most.
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> In the short term, these measures will ease pressure in the markets. However there is currently only 500bn euros assigned to the ESM. That may get swallowed up quickly and the markets may demand more. It is still unclear just how deep the holes in the eurozone's banks are.

The ESM is now a permanent bailout fund *for private banks*, a sort of permanent "welfare for the rich." There is no ceiling set on the obligations to be underwritten by the taxpayers, no room to negotiate, and no recourse in court. Its daunting provisions were summarized in a December 2011 youtube video originally posted in German, titled "The shocking truth of the pending EU collapse!":

> 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 [are] in the hands of one single unelected intergovernmental organization.

Here is the text of some of the ESM's provisions:

[Article 8] "The authorised capital stock shall be EUR 700 000 [700 billion Euros]."

[Article 9]: "ESM Members hereby irrevocably and unconditionally undertake to pay on demand any capital call made on them . . . such demand to be paid within seven days of receipt."

[Article 10]: "The Board of Governors . . . may decide to change the authorised capital and amend Article 8 . . . accordingly."

[Article 32, paragraph 3]: "The ESM, its property, funding, and assets . . . shall enjoy immunity from every form of judicial process . . . ."

[Article 32, paragraph 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."

[Article 30]: " . . . Governors, alternate Governors, Directors, alternate Directors, as well as 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 of their official papers and documents."

And that was before Merkel's recent concessions, which allow this open-ended indebtedness to be funneled directly to the banks.

Why Did Merkel Cave?

"Reactions back home were devastating," reported der Spiegel. "[T]he impression was that [Merkel] had been out-maneuvered by Italian Prime Minister Mario Monti and Spanish Prime Minster Mariano Rajoy."

As of June 21, 13 of 17 countries still had not ratified the ESM; and the most important ratification needed was Germany's, the largest economy in the Eurozone. Earlier, Angela Merkel had opposed using the bailout fund to pump money directly into struggling European banks. But at the EU summit that began on Thursday and dragged on well into the night, she finally relented. Late Friday evening, German lawmakers voted 493-106 in favor of the €700 billion ($890 billion) permanent bailout fund.

What caused Merkel to back down? According to an article in The Economist, the late night was "filled with bluff and bluster," in which

> Mariano Rajoy, the Spanish prime minister . . . , along with Italy's Mario Monti, had threatened to block any agreement at the summit unless their demands were met. Mr Rajoy obtained satisfaction, but the same is not quite true of Mr Monti, who had been the most adamant of the two.
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> Mr Monti declared himself satisfied, but caused considerable irritation to partners. Among the deals he had blocked was the "growth pact", a mixture of stimulus measures.

What Monti achieved by this maneuver was not clear:

> "Who needs the growth pact? Not Germany," said one bemused participant. The euro zone's fiscal hawks say the bond-buying mechanism will be little

> different from the existing system. "Mario Monti raised a gun to his head and threatened to shoot himself. In the end he wounded himself in the shoulder," said one scornful diplomat.

Maybe. Or maybe the bond-buying mechanism was not what he was really after.

The Italian Coup D'Etat

There is reason to suspect that "Super Mario" Monti may be representing interests other than those of his country. He rose to power in Italy last November in what critics called a "'coup d'etat' engineered by bankers and the European Union." He was not elected but stepped in after Prime Minister Silvio Berlusconi resigned under duress.

Monti is not only an "international advisor" to Goldman Sachs, one of the most powerful financial firms in the world, but a leader in the Bilderberg Group and the Trilateral Commission. In an article in The New American, Alex Newman calls these clandestine groups "two of the most influential cabals in existence today." Monti is listed as a member of the steering committee on the official Bilderberg website and as the European Group chairman on the Trilateral Commission website.

The Trilateral Commission was co-founded in 1973 by David Rockefeller and Zbigniew Brzezinski, also Bilderberger attendees. The Trilateral Commission grew from the thesis in Brzezinski's 1970 piece *Between Two Ages: America's Role in the Technetronic Era* that a coordinated policy among developed nations was necessary in order to counter global instability erupting from increasing economic inequality. He wrote in his 1997 book *The Grand Chessboard* that it would be difficult to get a consensus on these issues "except in the circumstance of a truly massive and widely perceived direct external threat."

Naomi Klein calls it "the shock doctrine"—an induced disaster forcing austerity measures on sovereign nations. In desperation, they would come to heel, relinquishing the sovereign right of governments to an unelected body of technocrats. And that is what the ESM seems to achieve.

Rockefeller notoriously wrote in his 2002 autobiography, "Some even believe we are part of a secret cabal working against the best interests of the United States, characterizing my family and me as 'internationalists' and of conspiring with others around the world to build a more integrated global political and economic structure—one world, if you will. If that's the charge, I stand guilty, and I am proud of it."

Implementing the Shock Doctrine

In another bankers' coup last November, former Goldman Sachs executive Mario Draghi replaced Jean-Claude Trichet as head of the European Central Bank. The European Stability Mechanism quickly followed. It was a permanent rescue facility intended to replace certain temporary facilities as soon as the member states had ratified it, slated to occur by July 1, 2012. The ESM came to an initial vote in January 2012, when it was passed in the dead of night with barely a mention in the press.

The recent modifications were also agreed to in the dead of night, ostensibly because Italy and Spain were afflicted with onerously high interest rates. But there are other ways to bring down interest rates on sovereign debt besides forcing whole countries into open-ended pacts to bail out private banks for unlimited sums in perpetuity, in the hope that the banks might bail the governments out in return.

The U.S. 2012 budget deficit is significantly worse than either Italy's or Spain's, yet somehow the U.S. has managed to keep interest rates on its debt at record lows. How has it pulled this off?

One theory is that JPMorgan's $57 trillion in interest rate swaps have something to do with it. Another explanation, however, is that the Fed has simply stepped in as lender of last resort and bought up any debt not sold at the low rate set by the Treasury, using "quantitative easing" (money created on a computer screen). Between December 2008 and June 2011, the Fed bought a whopping $2.3 trillion of U.S. bonds in two rounds of quantitative easing. Why can't the European Central Bank do the same thing? The answer is that there are rules against it, but rules are just arbitrary agreements. They can be changed by agreement—and often have been, to save the banks.

As the cynic quoted in The Economist article above observed, the bond-buying mechanism for countries under the ESM will be little different from the existing system. Mario Monti said the plan will support government bond prices *only in countries that comply with fiscal targets,* and that it *will act as an incentive for governments to follow virtuous policies*. That means avoiding deficits, even if it requires further austerity measures and selling of assets. On the public level, that could mean national treasures like the Acropolis. On the private level, The New York Times reported Friday that some desperate out-of-work Europeans were going so far as to sell their kidneys to pay household bills. The shock doctrine, it seems, has come to the doorsteps of privileged Westerners.

The German diplomats negotiating the ESM did leave open some escape hatches, including a request by Germany's highest court to the country's president not to sign the treaties into law until a legal review can be completed. At least 12,000 complaints are expected to be filed with the Federal Constitutional Court regarding the ESM and the fiscal pact. The legal review could well conclude that the ESM illegally hijacks taxpayer funds for private bank profit.

It is one thing to pool national resources to bail out other sovereign governments, quite another to write a blank check to bail out the profligate private banks that precipitated the global downturn. Europe has a strong tradition of publicly-owned banks. If the people must bear the costs, the people should own the banks and reap the benefits.

The original source of this article is Web of Debt

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