

# The “Berlin Club”: Germany plans to put Europe on rations

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A contingency plan is being drawn up by the German government for stricken countries unable to pay their debts to European banks. The plan being discussed by a small cabal of political leaders and finance experts in Berlin would effectively strip governments of the ability to determine broad areas of economic and budget policy.

According to a recent report in *Der Spiegel*, a group of experts numbering fewer than a dozen are drawing up a document at the request of German Chancellor Angela Merkel and Finance Minister Wolfgang Schäuble. The deliberations on the new plan are being kept as low key as possible in order not to frighten money markets.

In May, Germany agreed with other European governments and the IMF to set up an unprecedented rescue fund of €750 billion (US\$945 billion) to be used to refinance the debts of those eurozone countries facing repayment difficulties. The German chancellor is now concerned that the new plan being worked out in Berlin could be regarded as a vote of no confidence in the European bailout package. The euro fell on Monday when news of the plan was leaked.

Essentially, the Berlin plan foresees the restructuring of debt for ailing European countries. The prime candidates are currently the economies of Greece, Portugal and Spain. However, a number of other countries are also struggling to repay their outstanding loans to foreign banks and could be next in line. In exchange for the restructuring of their debts, the countries affected would be expected to yield up broad powers over their economies.

In the words of the Berlin draft, this process “will require restrictions on sovereign discretionary powers.” Effective control over budgetary policy would then be assumed by “an individual or group of individuals

familiar with the regional characteristics of the debtor nation.” This “individual or group of individuals” would be appointed by a committee of experts in Germany known as the Berlin Club.

Describing the concept behind the German plan, Schäuble declared: “Whenever a company files for bankruptcy, the creditors must relinquish a portion of their claims. The same should apply in cases of national bankruptcy.”

Schäuble’s words should be examined closely. He is declaring that bankrupt states will be treated in the same way as defunct companies—restructured, stripped down and forced to hand over effective control of their budgets to an outside agency.

In a commentary on the Berlin plan this week, the *Financial Times* noted that where existing European provisions to stem the continent’s financial crisis have failed, further measures are required.

On this basis, the *Times* writes, “There are some things to like in this idea”, but “The snag with Germany’s idea is that it goes too far.... External individuals would be appointed by a supranational resolution authority to safeguard the debtor’s financial affairs, obliging it to surrender some sovereign powers.” Such a plan “would place the debtor nation in a position of colonial submission. If ever agreed to, this would be politically explosive.... When sovereigns default, what is needed is a conference table not a torture chamber.”

The *Financial Times* is the voice of the international finance community and unreservedly supports its interests. Even so, the paper feels pressed to warn against the potential political consequences following the takeover of a foreign economy in the manner now being discussed in Germany.

A number of important conclusions should be drawn

from the plans being prepared in Berlin.

Nearly three years after the finance crisis broke out, it is now entering a new and potentially even more explosive stage. On July 23, the results of stress tests on 91 European banks will be published. Although the tests have been drawn up to disguise as much as they uncover, some financial analysts are predicting that the statistics could reveal major problems in 10 to 20 banks. In this event, further additional billions will be required to bail out these banks and buy up their toxic assets.

Plagued by worries that the eurozone rescue package is insufficient to bail out both ailing European banks and stricken economies, the German government is now drawing up its own radical contingency plan for Europe.

The proposals for a Berlin Club will also only exacerbate national antagonisms across the continent. As *Der Spiegel* notes: “Countries immediately or potentially threatened by insolvency, like Greece, Portugal and Spain, will be up in arms against the proposals from Berlin. Why should they agree to rules that would make it easier for the remaining euro countries to deny them aid in an emergency?”

The Berlin plan will also aggravate relations with Germany’s neighbours, including France, which is already severely critical of the German government’s response to the finance crisis and its increasing resort to unilateral initiatives.

Finally, the German plan reveals the complete inability of the ruling elite to deal with the current economic crisis within the traditional framework of bourgeois democracy. Recently, Schäuble admitted a truth no minister likes to make public—governments take their orders from the financial markets. Now, in order to appease the banks, Schäuble is demanding insolvent nations be handled like bankrupt businesses, taken into receivership and made subject to rations. This is a formula for financial autarchy and dictatorship.

Europe has already experienced rule by non-elected “councils of experts” in recent years. Such councils were appointed by the political elite to implement drastic austerity programmes in Hungary between 2009 and 2010 and the Czech Republic until January 2010. The latest German plan goes one decisive step further: the imposition of a semi-dictatorial regime by a group

of non-elected “experts” based in Berlin.

Discussions for the junking of established democratic procedures in favor of authoritarian alternatives are well advanced within German and European ruling circles. The working population of Europe must prepare its own alternative by building an international socialist party pledged to the creation of the United Socialist States of Europe.

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