

Heidelberg, 14 November 2016

German YOUTH UNION  
Bundesgeschäftsstelle  
Leipziger Platz 11  
10117 Berlin

Dear Sir or Madam,

The Alliance for Democracy is a loose independent, inter-denominational affiliation of professionals, such as jurists, auditors and journalists who work at the national level to report and seek the prosecution of political and economic crimes ([www.menschenfuerdemo-kratie.de](http://www.menschenfuerdemo-kratie.de)).

After the speech by Angela Merkel at the German Youth Union (JU) Day (15/10/2016) in Paderborn, we are afraid that the chancellor, who has lost touch with reality with the many bad decisions she has made, has softened the usually very critical youth of our nation. It is unacceptable that no restrictions have been set on the number of refugees accepted, but only on the possibilities for entering the country, which depends on other countries closing their borders so that fewer and fewer refugees reach Germany. Many important questions of our time remain unaddressed. This is not sufficient for the so-called triumph – or even a compromise, which depends on the impression that Angela Merkel is familiar with the technical details or not.

At the end of the speech, Merkel stated her intention to visit the Youth Union. She was trying to win over the JU's support in the elections. The aim was surely to reduce the appeal of the AfD (the right-wing populist "Alternative for Germany" party). The CDU (Christian Democrat Union) does not want to renounce its fundamental principles to do this. But what are these principles? How does it intend to change perceptions of the AfD and its supporters? Can it even do this?

Regardless of whether Angela Merkel is seeking another term as chancellor, there are elections in several German states over the next year. Many of the approximately 110,000 mem-

bers of the JU will be setting up election booths in North Rhine Westphalia, Schleswig-Holstein and the Saarland, distributing flyers and appealing to the public. The chancellor must convince these helpers that the CDU (still) has a chance, or all will be lost. The chancellor seeks to dazzle with her words, but she has few arguments. She shamelessly exploits the youth, who are unaware of the callousness and effrontery of real political work.

It is nothing new to offer newcomers a field to be ploughed, between the lust for power and career opportunities, but the CDU's sole purpose is to motivate these young people to plough Merkel's field, but it is unlikely that CDU will win, or recapture as it were, the majority it needs in the upcoming state elections.

The policies pursued by Merkel with the EU for the Eurozone led to a permanent state of crisis by obliging the majority of European countries to delay sovereign default by granting them more loans. All bailout programmes have failed and have exposed the chancellor's policies, all of which were short-sighted and led to the same result, as she and the EU rejected any alternative. Parties like the AfD, whose membership consists of an army of disgruntled voters, emerged the same way that the (estimated) €15 trillion mountain of debt (implicit and explicit) did. Above all the (implicit) debts hidden in the social security system, over which the pension system prohibits the chancellor from having any control.

The state was unable to cover the targeted 75% provision for future pensioners with the revenue from the statutory pension insurance scheme. This led to gaps that the government wanted to offset for workers. Two options were worked out: The in-house retirement plan and the so-called Riester pension scheme. Both were to be funded by provisions in the form of tax reductions. However, it turned out that none of the options worked because the tax co-payments made by the state remained below the level that would have been required to adequately fund the benefits. Moreover, it depended on the interest rate, wherein the higher the interest rate, the lower the yield for the insured.

The benefits gap was therefore not closed. All political camps know this, and they have all been covering this up. In addition, the state has incurred co-payment costs that have added to the national debt. Therefore, partisan politics has failed. Instead of developing and implementing a truly sensible system, they worked with the business sector to create a system of pseudo-financing, promising full funding that could never be delivered.

It is obvious in retrospect, and considering all other political failures, that neither the state nor high finance or the business sector were ever interested in forming sensible reserves.

The state avoided tax increases because these would not go over well with voters. The business sector wanted to maximize yields and profits. A shortfall arose for all retirees, even though all believed that there would be sufficient funding for their pensions – another scam to add to the long list of politically motivated scams of the last century. For this reason, the issue of pensions must finally be dealt with by the Merkel government.

The Chancellor is silent on bailing out the euro. Instead of finally abolishing subsidiary budgets and effectively counteracting the mounting government debt, the chancellor, together with her colleagues from the Eurozone and the EU, concludes a pact, oblivious to the fact that its neighbours are collapsing, because the bailout programmes, the EFSF and the ESM, are not funded, have no capital, since the alleged deposits are derived from the subsidiary budgets.

The ESM is therefore a paper tiger dressed up as a joint stock company that is subject to financial reporting regulations, as is the EFSF, under all European jurisdictions.

The European Stability Mechanism (ESM) is a financial institution based in Luxembourg. It took effect for Germany on 27 September 2012 with the ratification of an international treaty, despite many legal questions. Its ratification was published on 1 October 2012. As a permanent part of the euro bailout plan, it replaced the European Financial Stability Facility (EFSF). The ESM's task is to support over-indebted Eurozone countries by providing loans and guarantees to guarantee their solvency.

The ESM is an international financial institution that is free of any of the restrictions and licensing obligations that otherwise apply to credit institutions and financial services companies. Countries that have ratified it can only escape it by circumventing it. Members of the Board of Governors, the Board of Directors and all ESM employees are granted legal immunity with respect to actions taken in an official capacity, and inviolability with regard to their official documents and records (see Art. 35), which can hardly be called transparency.

The expansion of the EFSF into the ESM means that the long-overdue creation of a sovereign default statute is no longer possible for countries that cannot comply with the debt brake provision, such as Greece, Portugal or Cyprus. Thus, the Eurozone has established itself as the Union of Indebted Nations, which is encouraged by the IMF, which, instead of putting an end to the "euro experiment" with debt and currency reforms, has resorted to the tactic of deleting all items in state budgets, such as payments to the EFSF and ESM, that exceed the terms of the debt ceiling.

Companies whose securities are traded on a regulatory market in the EU (which should apply to the EFSF) must comply with international accounting standards. Accordingly, the EFSF must draw up balance sheets pursuant to international standards. In the EFSF's 2015 Annual Report, reference to the International Accounting Standards (IAS) can be found several times.

Der EFSF was audited by PricewaterhouseCoopers. The 2015 Financial Report reflects a loan receivable of €134.8 billion with Greece. This is the nominal amount. There was no value adjustment. The relevant IAS 39 provides for a "mixed model." The valuation can be based on either 1) the amortised cost or 2) the fair value. Obviously, the EFSF and PricewaterhouseCoopers applied the amortised cost.

Pursuant to IAS 39.58, there must be value adjustment if there are objective indications of an impairment on the balance sheet date, but this was rejected in the 2015 Annual Report (see p. 40). Under IAS 39.60, the downgrading of the credit rating alone is not sufficient to justify a value adjustment, but it can be regarded as one indicator among others. The ratings are shown on page 32 of the 2015 Financial Report:

Moody's	Caa3	In default with little prospect for recovery
Standard & Poor's	CCC+	Substantial risks
Fitch	CCC	Substantial risks

In the tabular overview of the Financial Report, there is no direct reference to Greece. The claims against states are divided into three amounts. One of the amounts, €134.8 billion, receives a poor rating and is the amount that corresponds to the Greek liabilities. The rating could therefore be considered an indicator for a value adjustment. The decisive circumstances would seem to be the possible concessions of the creditors, and the general financial conditions of the debt haircut with private creditors in case of sovereign default.

In the case of the EFSF claims, there was no debt relief, as with the private creditors, but even the EFSF had to pare some losses. The guarantee fee for Greece was omitted, meaning a loss of €2.7 billion for the EFSF. In addition, interest payments were deferred for 10 years, which means Greece pays no interest for 10 years. Finally, the loan maturity dates were postponed well into the future. It has until 2054 to pay off the loans.

Greece's total explicit debt burden is €319 billion, which is 182% of its GDP. Greece needs help, as always, and so a third aid package of €85 billion was set up in August 2015. Despite austerity measures, the debt burden is increasing. The unemployment rate is 25%. Economic growth is negative. In its mission concluding statement of 23 September 2016, the IMF describes the results of this desolate landscape for Greece: "Further debt relief will be required ... well beyond what is currently under consideration."

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The list of mistakes made by the Chancellor's during her political career will continue to grow. They are no longer regarded as simple legal skirmishes, for they are having an effect on the mood of the country. The Bundestag must take courageous action to force the necessary political changes, even if this does not please the electorate.

The government must stop using partisan agitation to deal with unpleasant issues, with the Bundesrat and Bundestag making decisions along party lines. The problems of our time are not more complicated than those of our ancestors. They are, however, presented in such a way that policy is heavily influenced by party politics without the aforementioned institutions gaining any insight into the political intentions behind it.

It must therefore be the aim of the Youth Union to take a professional approach to the aforementioned, and the many, many other problem, to bring an end to more and more policies that threaten our future, and return to sound policies to deal with the problems of our time. The Youth Union is called upon to prevent this dismal future. It is in the interest of the new generation to shape the future.

Yours faithfully,

The Alliance for Democracy