

Only the 'Productive Triangle' can bring an economic upswing

by Helga Zepp-LaRouche

There is only one possibility for reversing the economic rudder before Germany is once again dragged into the maelstrom of the world economic depression. The following appeal to Germans from the Schiller Institute appeared in the weekly Neue Solidarität on Oct. 7. It was translated by John Sigerson.

Anyone who thinks back on the dramatic acceleration of crises and wars in the world, senses that we are headed toward a global catastrophe. With the exit of the British pound and the Italian lira from the European Monetary System, the failure of the EMS is at hand, and the worldwide depression is now officially on.

The dollar crisis, the turbulence on the stock markets, the collapse of the Scandinavian banks and of Anglo-American real estate firms—all of these are merely symptoms of a world economy whose condition is now more desolate than it was in 1931, following the collapse of the Vienna Kreditanstalt.

The only answer the world's governments have come up with so far, is brutal austerity programs, which, however, will only succeed in pushing the depression spiral further downward—and this pit has no bottom.

The result has been growing social unrest all over western Europe, bringing with it dangerous political consequences. For example, when the Amato government in Italy announced it would have to cut the budget by 120 billion liras, hundreds of thousands of Italians poured into the streets in protest, and the northern Italian region of Mantua experienced a political earthquake: The anglophile Lombard League and the Alpine League won 42% of the vote, while the Christian Democrats slid to a mere 14%. The very existence and unity of the nation of Italy is now at risk.

In Sweden, nothing has been functioning since the Swedish government raised interbank interest rates to 500% in order to stem the outflow of capital, and then fixed that rate at 50%, thereby pushing normal interest rates up to 25%. Swedish companies are no longer paying bills, because the late penalties are lower than the going rate of interest. The economy has been paralyzed.

In Germany's new eastern states, conditions resemble those which prevailed during the Weimar Republic in the 1920s. If the current policy of deindustrialization is contin-

ued, and if unemployment, which has now reached 50% in some places, continues to climb, it is all but certain that we will see an escalation of right-wing/left-wing terrorism as in the 1930s.

But most dangerous of all is the crisis brewing in Russia. The economy there is in catastrophic shape, which is producing serious social and ethnic conflicts. And when the crisis boils over, we will surely see much heavier weapons deployed than we see today in Bosnia. If the depression becomes even more acute, a Great Russian putsch or an authoritarian regime is not out of the question in the very near future.

We are already in the opening phase of a new Thirty Years' War. If it comes to civil war all over the East—in the Balkans, in Transcaucasus, in the Baltic, throughout the territory of the former Soviet Union, and large parts of eastern Europe—then do we really think that we in western Europe or in western Germany can remain safe, sitting on an island of prosperity and peace? Do we really think we can build a new wall to keep out the hundreds of millions of new refugees fleeing from hunger and destruction?

What does the solution have to look like?

There is only one way the catastrophe can be averted. We must immediately turn around the depression and implement an economic program which removes the underlying causes of the crisis, and which guarantees economic development and full, productive employment.

In order to do that, the following package of measures must be put into effect:

1) Work must immediately commence to put into place an all-European infrastructure program, proceeding from the "Paris-Berlin-Vienna Productive Triangle" as the indispensable prerequisite for the industrial development of eastern Europe and the nations in the area of the former Soviet Union.

2) Reorganization of the foreign and public indebtedness of industrial firms in the East.

3) Formation of a system of sovereign national banks for creation of productive credit, in the tradition of Alexander Hamilton and Friedrich List, in order to finance the Eurasian infrastructure program and other productive investments.

The "Paris-Berlin-Vienna Productive Triangle" program was first proposed back in November 1989—i.e., immediately following the fall of the Berlin Wall—by my husband,

the American economist Lyndon LaRouche. This is an infrastructure program for the Eurasian continent: integrated high-speed rail systems, canals and highways, and intensive expansion of energy production and distribution and of communications systems.

Without such a thoroughgoing infrastructure program, which brings state-of-the-art modernizations to precisely those areas which were most neglected by the socialist economic system, there will not be any economic reconstruction in the East.

The "Paris-Berlin-Vienna Productive Triangle" comprises a region about the size of Japan. Within this region it is possible to achieve the world's highest rates of growth through targeted investment, on the basis of its great concentration of industrial capacity and highly qualified labor. A massive revving up of capital goods production in this region must exert the absolutely necessary locomotive effect, which alone can pull the rest of the world economy out of the depression.

Working out from there, "development corridors" such as from Berlin to Warsaw via the Baltic toward St. Petersburg, or from Prague to Moscow and Kiev, or from Vienna via Budapest into the Balkans, must bring economic development into the East and into southern Europe.

Debt reorganization

It is obvious that such a program cannot be put into action if governments, operating under ever-worsening depression conditions, merely try to maintain the payment of debt service through massive austerity measures.

Italy's public indebtedness, for example, has reached the astronomical sum of \$1.5 trillion—that's \$1,500,000,000,000. Italy's current austerity plan envisions raising 100 trillion liras (about \$69 billion) each year in order just to keep the budget deficit at a level of 10.5% of Gross Domestic Product. But also in Germany, most firms in the new eastern states are enmired in debt to the point of strangulation.

It is therefore necessary to reorganize the various categories of debt, treating nations just as one would treat a basically sound and productive industrial firm which had gotten into difficulties because of bad management. The debts must be reorganized, management policies must be changed, and new credits issued for productive activity.

Nationalization of central banks

An umbrella concept for such a reorganization has existed since 1982, when Lyndon LaRouche presented "Operation Juárez," a plan for how the developing countries' debt crisis could be solved. Granted, if the banks had agreed to this reorganization 10 years ago, it certainly would have cut their power down to reasonable dimensions—i.e., they would have resumed their proper role of servants to industry—but on the other hand, the international financial system would

have never collapsed into its current bankruptcy.

And it is this state of bankruptcy which makes it clear that the effectiveness of central banking systems based largely on monetarist principles, has now been discredited. It is urgent that this system be replaced with a system of sovereign national banks.

Concretely, this means that the German central bank, the Bundesbank, must be transformed into a national bank which must only issue credit which is tied to productive investment. If, for example, for the realization of the "Productive Triangle," lines of credit are opened which are then routed through local banks and municipalities to the firms participating in the various components of the infrastructure program, then full productive employment can be achieved.

This type of credit creation is not inflationary, because the credits are issued exclusively with reference to future production—i.e., their value is backed up by real economic wealth. Two significant sources of inflation are thereby eliminated: first, the considerable amounts which must be given to the unemployed and their families; and second, the extra costs incurred because of a lack of infrastructure.

This package—the "Productive Triangle," reorganization of the debts, and the establishment of a system of national banks—represents the only competent way the depression can be turned around.

You say all this can't possibly happen, because the political will can't be mustered to do it? Well, consider the alternative: a catastrophe which may far outstrip the horrors we have already gone through during this century. So it is better to promptly mobilize this political will.

A botched opportunity

It is highly instructive for us to reflect on how the historic opportunity facing Europe in 1989 could have been so totally missed, so that we can draw the proper conclusions in time, before it is too late forever.

Recall the enthusiasm and deep emotion which people felt when the Berlin Wall fell. Recall the courageousness of the people who proudly dubbed their city "Leipzig, the City of Heroes," and toppled the communist dictatorship with the words, "We are the people!"

In that situation, when everyone spoke with justification about "Europe's great historic opportunity," Lyndon LaRouche, who was already sitting in prison as a political prisoner of George Bush, presented a concept for the development of the East. This was precisely the vision which the people of these countries had hoped for.

How simple it would have been for German Chancellor Helmut Kohl back then, when the advantage of the historic moment was still on his side, to have made a televised address appealing to the peoples of the East and proposing such a development plan. Everyone would have enthusiastically agreed to it. Had he done so, today we would be well on the way toward a new economic miracle, quite similar to that



A ship being loaded on the Rhine River near Wiesbaden, Germany, in the heart of the "Productive Triangle" region.

which followed Germany's reconstruction phase following World War II.

Lyndon LaRouche warned back then that Europe would only be able to use this opportunity if it drew the proper practical conclusions from the fact that not only were communism and the economic theory of Karl Marx bankrupt, but that the United States and Great Britain were in a depression, thereby also discrediting the economic theories of the unbridled free market and of their spokesman Adam Smith. Instead, LaRouche said, Europe must return to the economic tradition which has always been the basis for successful industrial development: the theories of Leibniz, Hamilton, and Friedrich List, which were further developed by LaRouche himself.

But the German government in Bonn decided not to develop its own industrial policy for the East, instead leaving it up to the Anglo-Americans to decide which economic theory would be applied. And instead of building up a market there, delegations from the International Monetary Fund (IMF) and their little Harvard professors fell upon the East like locusts, plundering whatever they could.

"Shock therapy," the Polish model, liberalization, and privatization regardless of the social cost—this was the medicine prescribed by the apostles of free market economics, thanks to which the patient is now lying prostrate. Living standards and production in Poland have been reduced by one-half. In Russia, meanwhile, about 90% of the population now lives below the poverty line. In Germany's new eastern

states, not only the factories, but also the people themselves have gotten not development, but degeneration.

Geopoliticians want to prevent Eurasian development

It was already quite clear three years ago, that the Anglo-American policy of the IMF toward the East was not only incompetent, but for geopolitical reasons was aimed at preventing any economic development. But only now, after the British gossip-sheets have openly written about a British "war against Germany" and have attacked the "Nazi Bundesbank," do people in Bonn seem to have noticed that British policy toward Germany is decidedly hostile.

The truth is, the Persian Gulf war was already a geopolitical war, whose goal included breaking the historic momentum in Germany and weakening the potential for Eurasian development. On the same grounds, U.S. Secretary of State James Baker and former NATO head Peter Lord Carrington have been shameless in their support for the Serbian war of aggression.

For, with Germany reunified and Europe's borders open again, the Anglo-Americans were once again overtaken by the old fear which had already influenced the dynamic leading to World War I, namely, that a united "Eurasian heartland" would come to exert world economic domination over the "Atlantic rim countries," i.e., the United States and Great Britain.

The Versailles system had been nothing but the formal adoption of England's original war aim of keeping Germany down economically and of preventing it from cooperating with the East. The Yalta agreement was a camouflaged version of the same Versailles Treaty, and was to ensure the permanent division of Europe between East and West.

It was rage over the breakup of the Versailles system in November 1989, which caused the British press at the time to revile the people who were demonstrating against communist dictatorship as harbingers of a new "Fourth Reich." And already back then—as we wrote at the time—you could see that the Anglo-Americans had relapsed into thinking in the old geopolitical categories.

The inability to recognize this and to draw the necessary conclusions, was the real reason why the historic opportunity of 1989 was so thoroughly botched. Instead, people left it up to these Anglo-Americans to determine the most appropriate economic policy, and they proceeded to throw these economies into chaos—with the effect that now, three years later, we in fact *do* have neo-Nazi gangs roaming about.

Causes of the neo-Nazi and racist activities

It is very important to examine the violence in the attacks against foreigners in the cities of Rostock and Hoyerswerda, Germany on various different levels. It is unfortunately the case, that there is Anglo-American manipulation and coordination of this violence. The Skinheads are a British creation;

and members of the U.S. Ku Klux Klan, which for years has been training neo-Nazis in special camps in the United States, coordinated the violent incidents using sophisticated electronic equipment. The Ku Klux Klan, in turn, is a creation of the Scottish Rite of Freemasonry in the southern United States, and is thus an outgrowth of the currently prevailing ideology among the U.S. establishment.

However, as regards the actual and alleged hostility of some Germans toward foreigners, we must make a distinction. It is a demonstrable fact, that for people in eastern Germany who see themselves robbed of all future prospects, it must seem like a provocation when suddenly and suspiciously, and with poor planning, a growing number of foreigners are settled into localities which are ill-equipped to receive them. It is also understandable that elderly and relatively poor people in western Germany, who have been victimized by the cuts in medical and social assistance programs, would react with fear.

The brunt of the blame, of course, falls on the politicians, whose pragmatism and materialism have resulted in a curious blend of cowardice. They missed the historic opportunity of 1989, and have not only neglected the economic development of the new eastern states, but have also failed to adequately equip local police forces. But a society always ends up with the politicians it deserves.

No island of prosperity in a sea of misery

But one thing must be made clear to each and all: We will not solve the apocalyptic crisis facing us, by simply changing Germany's asylum laws, or perhaps by building a wall around Germany or western Europe. For, in the final analysis, the reason why ever-greater numbers of refugees are coming into Germany from all over the world, is that the policies of the International Monetary Fund have looted entire continents and have driven them into ruin, so that the people there are now running away to escape the hunger, epidemics, and chaos of war.

And it will not be of the slightest use, to say hypocritically that in order to offer asylum to those "who are really politically persecuted," Germany will have to turn away those who are "only" economic refugees.

The truth is, that a worsening of the global depression, which will reach the breaking point if we stick with the IMF's monetarist policies, will plunge the entire world into a new Thirty Years' War.

In Africa alone, over this year 40 million people are in danger of starving to death. Who would prevent those who are still strong enough to run, from going where they wish, where there is allegedly so much agricultural "overproduction" that fields are being set aside, fruit isn't being harvested, and mountains of butter are being destroyed? And is the mother whose child has just died of starvation in Somalia, and who somehow manages to get to Europe, "only" an economic refugee?

And if it comes to a Great-Russian putsch and subsequent warfare and civil war, and if all the Balkans go up in flames—the fuse is already burning—then many millions, or even hundreds of millions will flee into western Europe in order to escape hunger and war. Does anyone seriously believe that under those circumstances we could use military might in order to defend a western European island of prosperity?

There is one, and only one solution. The structures which caused the collapse in the first place, must be replaced immediately. The IMF, the World Bank, and the General Agreement on Tariffs and Trade (GATT) must be abolished without replacement, and instead measures must be gotten under way immediately to economically develop the regions which people are now fleeing from.

We need the immediate implementation of the all-European infrastructure program, so that, proceeding outward from the "Productive Triangle," economic development can be brought into the East and the South. Only a just, new economic order can form the basis of reason around which otherwise squabbling groupings can unite. What Pope Paul VI said in his encyclical *Populorum Progressio* holds true: "The new name for peace is development."

World coalition for development

In Germany, but also in western and eastern Europe, in the United States, and in Ibero-America, a new international civil rights movement is now taking shape, bringing together all those forces who are convinced that the problems confronting us today are so great that they can no longer be solved on a local or even a national level.

Taking the point in this world coalition is the current campaign of independent U.S. presidential candidate Lyndon LaRouche, who is running for office from prison. His vice presidential running mate is Rev. James Bevel, one of Dr. Martin Luther King's closest collaborators, who is now on the verge of rebuilding the U.S. civil rights movement on a more profound and comprehensive basis. Many black civil rights activists, along with farmers, trade unionists, people of Spanish, east European, and Asiatic origin, and students have already joined this movement. So in the United States, an alternative to the choice between the "lesser of two evils" is taking shape.

We in Europe also need such a broad coalition of forces, which must become so powerful that it can force the implementation of the economic reforms which alone can avert catastrophe.

We call upon you to join this coalition! But the most important thing, is that for once we not think of our own small selfish interests, but that we have a great heart and conceive of ourselves as true representatives of humanity. Only in this way is there any hope of preventing a plunge into a new dark age. The opportunity of 1989 was missed; let's not let this one go by, too!

Join us!