

Don't let 'profit vultures' bring the economy down

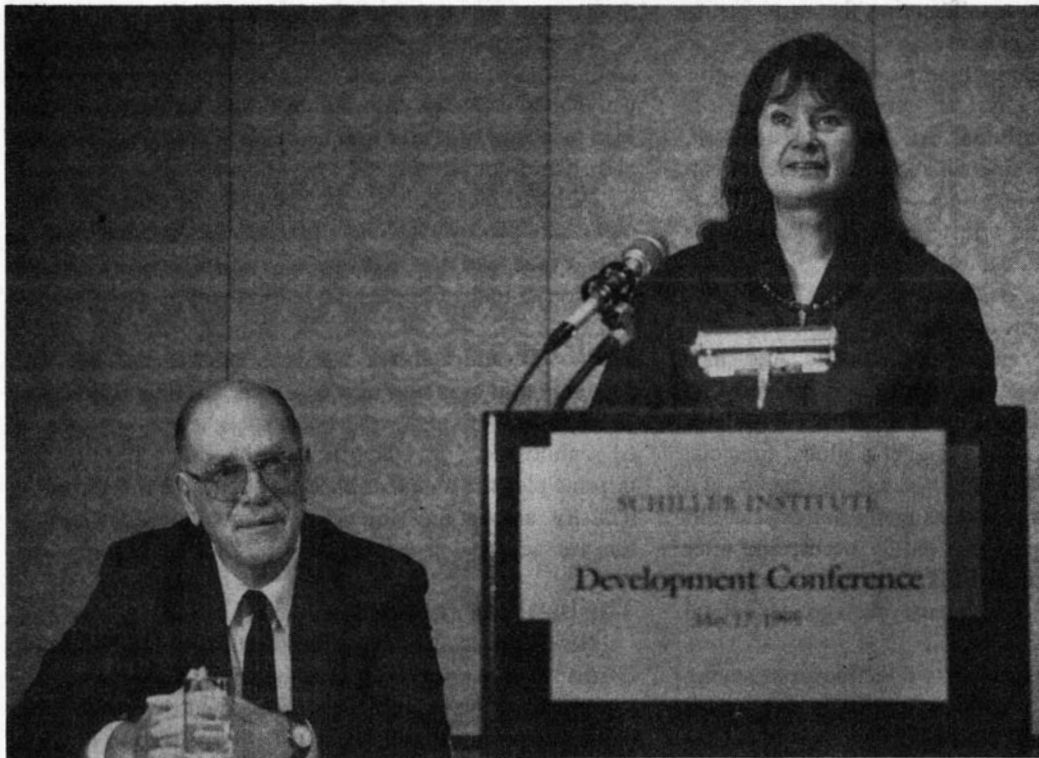
by Helga Zepp-LaRouche

This speech was given on May 17 to a conference of the Schiller Institute in Washington. Mrs. Zepp-LaRouche is the founder of the institute, and the chairman of the Schiller Institute in Germany. Her husband, Lyndon H. LaRouche, Jr., also addressed the conference (see a report in EIR, May 26, p. 48).

Some of you may have attended the previous seminar here in Washington, on March 29. We told you at that point that, contrary to the relative illusion in Washington, people in Europe are much more aware of the imminent danger of the collapse of the financial system.

Now, my husband and I have just come back from a three-week trip to Germany, where we met a number of German economists, bankers, but also representatives of other nationalities. And indeed, it was quite remarkable to see that there is a growing concern among, I must say still a minority, still not the dominant forces in politics and media, but significant people, who are convinced that the majority of the top banking and government elite of the world have lost control already, that the top government officials and the top banking and financial officials do not grasp the situation any longer, and that we are indeed facing a genuine breakdown of the system, a breakdown which is completely different than anything which has previously happened in history, different than the 1923 inflation in Germany, different than the Great Depression of the 1930s, and even different than the collapse of the fourteenth century.

What was most amazing to me, was that one individual, who I can assure you is a very senior banking source in a European country, with whom we have been in contact for 10 to 15 years—which has been a rather rocky relationship, because he did not always agree with our views—this person has come around completely, and said that this collapse is so imminent, that it could potentially happen in a week. It could happen in two weeks, it could happen in more than that, but he said the situation is such that it could be a week or less.



Helga Zepp-LaRouche addresses the Schiller Institute's conference on development in Washington, D.C. on May 17. To her right is her husband, Lyndon H. LaRouche, Jr. In Germany, she reported, there is now an open debate about the possibility of the collapse of the global financial system, in which the true motivations of both camps are becoming increasingly transparent.

A number of these individuals have expressed the view that the biggest problem they see for the world to come out of this mess, is that the present elites are very ill-equipped to make the kinds of world-historical decisions required under conditions of such a collapse, and therefore they have very little hope for an orderly reorganization of the system.

Two camps

Now, there is another thing, new and also very interesting, of all places in Germany (which I have a certain attachment for, and it always upsets me more than these other countries when the stupidity in this country is very big; because of the postwar Yalta arrangements, the control of the public debate in Germany always has been firmer, and you get less truth there than anywhere else). For a couple of days in Germany, there has been an open debate about the possibility of the collapse of the global system. But it's also a fight, and what is now appearing very clearly, is that two camps are opposing each other completely, where the motives behind the arguments of each camp, are also completely transparent.

For example, last week there was a meeting of the Berlin Stock Exchange Club, where the vice president of the Federal Oversight Office for banking said that there is a danger of a global financial system collapse triggered by the speculations on the futures markets. And this is due on the one side to the gigantic growth of these markets and their close interconnectedness. Given the fact that these transactions,

which presently are on the level of approximately 1 trillion transactions per day, are really in the hands of a relative handful of players, if only one of these big players were to collapse, this could lead to the collapse of the entire system, because the entire net of derivatives could break. And he publicly said, "To bring such a collapse under control with traditional methods is nearly impossible. If there are crash-like turbulences, the international banking oversight would have great difficulty getting crisis management going quickly enough to stop a total collapse."

Now, this was the response to a longer speech by Nobel Prize winner Merton Miller from the University of Chicago, who spoke at the same occasion. And Mr. Miller totally rejected the control of futures markets or any regulations on derivatives, by saying, "Regulation must be the last resort, not the first." This is somewhat absurd; I mean, if you look at where we are, it's not the first measure, by any means. Then he said, "All these bankruptcies and collapses due to derivative losses"—Metallgesellschaft in Germany, the collapse of the British bank Barings, the major losses of Orange County [California], the losses of Procter and Gamble, and one could add many more, like [France's] Cr dit Lyonnais—are all due to speculation with derivatives and futures, but "none of these has done any harm to the real economy."

Now, Mr. Miller got the Nobel Prize for contributing to what is generally called the "theory of the capital market," and I must say that what he has pronounced, is really, if

you look at it closely, just a self-serving theory to justify stealing by this handful of players.

On the one side, he admits that the financial system is totally decoupled from the physical economy (which is true to a certain extent), but he denies that the two systems are interacting, and he says, "You can speculate in the global-financial casino, and it has no effect on the economy, it has no effect on jobs, it has no effect on industry and on the well-being of society."

Well, it's really only a desperate lie when Miller says that all the losses "only hurt individuals," namely, one of this handful of big players, and never the public. And since it's only the transfer of wealth, therefore, an intervention to stop or regulate this, is not justified. There is no risk that the banking collapse would trigger a global financial collapse; this is very unlikely, he says, and the danger of a collapse because of derivatives does really not exist at all. A domino effect of collapses can hardly occur, and after all, Barings was only a small bank, and this could never happen with the big banks, which have much greater capital reserves.

Now, as you can see, there are two factions, one saying the system is going bust, and the other one saying, no, it cannot happen.

Germany's savings and loan institutions

Very interesting is that last week also in Hanover, there was a conference of the Savings and Loan Association, where Dr. Horst Köhler, the chairman of the German S&L Association and former longtime adviser to Helmut Kohl, basically said that the recent currency turbulences—the collapse of the dollar, the fluctuations of the yen, the deutsche-mark, and all the other currencies that had dramatic changes in exchange rates—demonstrate that the financial markets have separated to a very high degree from the real economy. And this makes planning of investments, or the definition of any firm policy, very difficult. He said that the problem, therefore, is that short-term thinking and speculative profits have become dominant, and that the mode of such behavior has its roots in the Anglo-Saxon financial system, and it has led to a complete casino-mentality on the markets.

He also criticized a recent paper by Deutsche Bank, still the largest German bank, proposing the privatization of the savings and loan system. Köhler attacked this as not representing the privatization, but the smashing of the savings and loan system; that under the cover of market language, this is just an attempt to capitalize upon the financial pressure under which all the communities are now operating, which in Germany are as bankrupt as in the United States or other countries in western Europe. It is basically a blatant effort to grab the savings of ordinary people—as you know, the savings and loans are generally not the places where the upper crust of society puts its money, but rather where little people put their money—to enhance their speculative

position on the international markets.

Now, fortunately, Chancellor Kohl at this meeting rejected this idea of privatization of the savings and loan system, and this organization passed a resolution for the savings and loan associations, that financial profit is not an end in itself, and should not be oriented toward speculative gains.

What surfaces here in this debate in Germany, in statements like that by Mr. Sanyo from the Berlin banking oversight office and Dr. Köhler, is a weak echo of the old tradition of industrial banking in Germany, such as the former head of Deutsche Bank, Hermann Abs, or the famous head of Dresdner Bank, who was assassinated in 1977, Jürgen Ponto, or more recently, Deutsche Bank head Alfred Herrhausen, who also was assassinated, and who represented a philosophy of industrial banking which was, at least in principle, the idea that banking should be the servant of industry, and not the Moloch to whom industry and agriculture are sacrificed in order to keep the banking system going.

The banking collapse

Now there is also a major alarm of the audit officers in Germany, about the collapse of banking, as well as by the association of taxpayers. They have noted that the German federal government and the states are involved in financial speculation in the derivatives markets, with exceptionally high risks, like that which led, in the Orange County case in California, to these major losses. They say that they now need unified guidelines to prevent the misuse of taxpayers' money, which in a certain sense indeed is illegal, because people are paying taxes, and then some bureaucrats are speculating at high risk. Now the chief of the Berlin Audit Office, Horst Giltshchik, demanded that the risk of speculation be brought down toward zero, i.e., eliminated.

Since the end of March, when we had the last seminar here in Washington, what has happened in the economy? You had on the one side, the super-insurance company Lloyd's of London, basically going bankrupt. This is not the real story yet, because they are only forced to publish their figures with a three-year delay, and in the period between 1988 and 1991, they had a \$12 billion loss (in 1992, probably even more). They have additional outstanding loans, with no chance to retrieve them, and this is only up to 1992; this has led to 30 suicides of top management people associated with Lloyd's. So, the period when bankers are dropping on Wall Street—and you'd better open your umbrella when you walk, so you aren't hit by these bankers dropping down—this season has started. There are also 30 major suits against Lloyd's by people who have lost significant money, and whether they go bankrupt or not right now, is an open question, because they need £1.5 billion by August to avoid bankruptcy, and this after the Bank of England has already refused to bail out the much smaller Barings Bank.

Another British jewel, Warburg, has been taken over by the Swiss Banking Corp., which is regarded by Swiss insid-

ers as a major mistake, because of the problems of this institution.

An opportunity for change

If you look at it right now, there are only three camps among the financial elites. One lies outright, and says that there is no danger to the system, that all the collapses are due to the errors of individual managers; there is no damage to the public. This is the public relations line of those who gamble, who make the profit, and the real criminals. Then there is a second faction, which says, yes, there is a crisis, but it's just a mudslide, and with some management approaches, it can be handled. We need some reforms and some bandaids, and the problem can be brought under control. In reality, bandaids are useful, but not sufficient—like a tax on capital transactions, an increase of the reserve requirements of the banks, an obligation to centrally report transactions—all of these things are necessary, but they do not get to the problem.

Thirdly, there is a growing faction which says, this is a systemic collapse, it's inevitable, and it will happen since the political will for reorganization is lacking. And we have, because of our publications and studies which we do in the field of economics, found that in Europe, the inside word is that the more intelligent banks are working right now on strategies for survival under the conditions of collapse. You have some banking experts, top people, who are working on programs to limit the speculation allowed to their banks to, let's say, \$3 billion per day, to limit the risk. Now, if you think how poor Ukraine was starving to get \$1 billion from the International Monetary Fund (IMF) for the last three years, and one single medium-sized bank is speculating with a reduced risk, with "only" \$3 billion a day, you get a sense of what the proportion is of the speculative realm to the real need—not even talking about places like Africa.

There's another group of people—very few, but the more intelligent people, and we are in contact with a handful of them—who agree completely with what Mr. LaRouche says. They say the collapse will come, the political will does not exist, it will happen, and I'm sitting in my office, in my university, in my study, and I'm working on proposals for the reorganization after the collapse occurs, because only after everything has come down, will the governments be willing to listen to me, and this is my hour, and then I will step forward. The idea that greed for profit by a few is ruining the existence of entire nations, and the entire world, and that this can't go on forever—that is spreading more than ever before.

Now in France, a close friend of ours, of the Schiller Institute and Mr. LaRouche, Jacques Cheminade, successfully participated in the Presidential campaign, and while he did not, due to massive upheaval in France due to his campaign, get a significant vote, yet he has been able to get his analysis of the situation out, and now the name Che-

minade is a household word, as is the most important message he concentrated on in his election campaign, namely that the financial cancer of speculation is eating up the economy. Right now one can really say, that when the next major collapse of a bank occurs, this will catapult Cheminade's views into the limelight, as he already has influenced the debate.

Today, the new government of France is being formed by Jacques Chirac, and already, as an echo of what Cheminade has been saying, Philippe Seguin, president of the Parliament and a friend of Chirac, has come out with a proposal to bring the central banks of Europe under control. Now, how serious that is, and how far-reaching, remains to be seen, given the fact that Chirac, during the campaign, challenged the Bank of France, saying that it is not the right of an independent central bank to dictate the social policies

German press, economic leaders sound the alarm

Here are excerpts from some of the statements Mrs. Zepp-LaRouche refers to in her speech, from German sources concerned about the likelihood of a crash:

Bildzeitung, May 13, editorial, "Stop the Profit Vultures":

"The mega-speculators—first they fled from the dollar as if it had the Black Plague; now, they cannot get enough of it. Again, they invest billions cold-bloodedly. Again, they are milking off billions of profit—at our expense.

"The fact that by doing so, they're ruining the currencies of entire countries, is nothing that concerns them much. They're putting the existence of millions of human beings at stake—they consider profit more important.

"Stop this dangerous monopoly game. It must not be that a handful of profit vultures rules the world."

Horst Köhler, former assistant finance minister, now chairman of the German Savings and Loan Association, March 27 speech in Boppard: Short-term speculation, especially in derivatives, has made the markets "excessively volatile." The consequences of the growth of new financial instruments for the world financial markets have not been properly thought through, and that an incalculable situation has developed as a result of deregulation, which has "gone too far."

of a country, and that that had to be brought under control. This led to hysterical frenzy, especially on the part of the British press: How could Chirac dare to touch the independence of central banks? So one has to see how serious this actually is, but as you know, with the case with the Federal Reserve in the United States, the so-called independence of the central banks is the sacred cow of this present liberal system.

Fascist economics

To put it in much clearer words, and I don't know what is the worst tabloid in the United States, maybe the *New York Post*. We have a paper in Germany which is much worse, and is much more widely read, probably by 10 million people every day. They just had, two days ago, a banner headline, "Stop the Profit Vultures!" They say it's an outrage that speculators made billions in profit by speculating against the dollar; then they switched and now they're doing the opposite. The speculators don't care if currencies of entire nations are destroyed; they are playing with the existence of millions of people. Stop this dangerous monopoly! It can't be tolerated that a handful of profit vultures dominates the world.

I find it very useful that a tabloid starts to have this kind of language. It is exactly preparing the climate for the necessary changes.

That's exactly the point. We can't have a handful of people, vultures, destroying entire continents. The point is, Mr. Miller is a complete liar when he says that the public is never hurt. We will show you today some of the statistics of what happens to the people, to the public, as a result of these policies.

Look, for example, at the case of Italy, a beautiful country, and still a member of the so-called Group of Seven, one of the seven richest countries in the world. I think 90% of all cultural goods in the world, of all cultural activity produced by mankind, is located in Italy, while this country is being completely destroyed as a result of the IMF policy and derivatives and privatization.

In Italy, which has, I think, about 40 million people, 6.5 million families are below the level of poverty; 32.4% of all youth are unemployed. Some 20.1 million people are inactive, unemployed, on welfare, or on pensions, which for the first time is more than the active part of the population.

Now, obviously, to talk about saving the cultural treasures of Italy, which is an effort the Schiller Institute was involved in some years ago, becomes ridiculous. The museums are falling apart, people can't pay the guards, so cultural objects are being stolen, no restoration is taking place.

When we say that civilization is destroying itself, I can give many, many examples, but we can't even maintain that which the best of our European tradition has produced, as a result of this. And Italy is not the worst case. But, you know, the political party system there has been destroyed,

and the whole country is disintegrating. This system is insane, and is destroying everything we have built.

On the other side, one has to see that it is true that the financial system is decoupled from the real economy, because only monetary considerations and the private profit of a few people are primary. But, as Lyn [Lyndon LaRouche] has pointed out, the two systems do interact, and industry and agriculture are sacrificed around the world to feed this monster. There is only one way to describe this, and that is what the pope has called "the structures of sin." They are dominating the world, and I think President Clinton has used a similar word when he said that the fact is that *global evil* does exist.

If people would just stop being brainwashed by the *New York Times*, the *Wall Street Journal*, the TV, they would see the issue. Derivatives, speculation, privatization—this policy is genocide. It is not some legitimate economic theory. Fascist economics is dominating the world right now, and it is a secret known to the players in the international market for a long time, that so-called liberal economics is really fascist economics.

There is the famous debate Lyn had in 1971, with Abba Lerner at Queens College in New York City. This was the only time in which a representative of the liberal camp had the guts to debate Lyn's economic theories on the merit of their content. And since Abba Lerner, in that discussion, completely lost, the international elite has decided that nobody would ever dare to challenge him on the content of his theories, but would slander him and defame him and harass him and prosecute him instead.

What Lyn got Abba Lerner at that time to admit, is that if the Social Democrats in 1932 had implemented the economics of Hjalmar Schacht, Hitler would not have been necessary [for the bankers who sponsored him]. That is exactly the secret of the whole thing, and I think that it is especially important that now, when we have just commemorated the 50th anniversary of the end of World War II, we give a fresh look at what is the essence of fascist economics. It's really a question of *liberal* economics, as you can see today, when a handful of profit vultures are declaring entire continents to be populated by "useless eaters," letting the world go to hell. Look at Africa, look at what has been happening in Rwanda, in Burundi; new viruses are breaking out as a result of the collapse of the immune system in many places. The situation in the Balkans is fast moving toward a larger war. The situation in the former Soviet Union, in Russia, Ukraine, is reaching desperate dimensions. And I think that all of these things, from a European standpoint, are much closer; and because two world wars have happened, people know that depression and war are much closer.

The fact that this reality is much closer in Europe is no surprise, because the Americans have very much lost a sense of reality. First of all, they think they are sitting on a conti-

ment which has very little to do with the rest of the world. And after all, you can always switch the channel on the TV, and you get a more easy-going program, and the whole world will go away. That's why people are not freaked out. That's why people are not saying, the whole world is going to hell, and something has to be done if a new catastrophe is to be avoided.

Our task

What we propose, and what Lyn has been initiating for 25 years, is really very simple. It's the idea of global reconstruction; it's the idea of doing what Franklin D. Roosevelt did under conditions of war for the United States, to rebuild the economy with dirigist methods; it's what was done in Germany after the Second World War with dirigist methods, to give certain banks credits for clearly defined projects. And the economic miracle in Germany happened as a result—within 10 years it was already visible, and fully blooming in 15 years, out of a rubble field. You all maybe have seen some of these pictures at the 50-year commemoration of the end of World War II. Germany was a rubble field. Berlin was a rubble field. And people rebuilt Germany into one of the richest nations in the world.

The same thing can be done in Russia, in Ukraine, in Africa, in Latin America, in the Eurasian continent, in the United States. There is nothing in the way, but the lack of a

mobilization of political will. And, as I have said many times, the world has reached such a horrible condition, and so much human misery and suffering is going on, that mankind either gets its act together and we rebuild our world as a new world economic order, or we all will not live.

I have seen this many times, and I see it right now in the Balkans, where people in Croatia have been now in the war for four years, or in Bosnia, where a tremendous slaughter is going on. People collapse and become culturally pessimistic. The connection between cultural pessimism and fascism, between cultural pessimism and accepting horrible things, is so obvious.

Therefore, it is our moral obligation to mobilize cultural optimism, a vision of what we can do with this world, how we can reconstruct Africa, how we build the kind of infrastructure development, ports, streets, railways, fast transport systems, as a precondition for the development of agriculture and industry around the world. If people have a vision, and we mobilize the kind of cultural optimism which goes along with that idea, which our mind can put forward, and then we can mobilize our forces to accomplish, there is nothing we can't do. And I think that, if we have learned anything from history, we must not repeat the tragedy of fascism which right now is visible. Just because it comes in different clothes, it comes in the clothes of credit vultures, that doesn't mean it's less devastating. So let's change it.

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