Germany's economy is becoming a 'casino society'

by William Engdahl

On Nov. 29, 1989, not yet three weeks following the collapse of the Berlin Wall dividing communist East Germany from the West, Deutsche Bank head Alfred Herrhausen, the most trusted economic counsellor and friend of West German Chancellor Helmut Kohl, was blown to pieces in a thoroughly professional assassination outside his Frankfurt home. The killing was no terrorist attack.

Rather, it signalled the escalation of an all-out irregular warfare campaign by powerful western forces determined to prevent a unified Germany from becoming the engine of industrial transformation of Poland, Czechoslovakia, Yugoslavia, and ultimately, the Soviet Union. It is a matter of public record that France's President François Mitterrand was horrified at the prospect of Germany becoming a dominant economic power as the vast new potentials unfolded in eastern Europe in the wake of the end of the Cold War. It is also a matter of public record that President George Bush's comment upon hearing of the collapse of the Berlin Wall, was the cynical retort, "I'm not going to dance on the Wall."

But no reaction to the events of November 1989 was comparable to that of leading City of London policy circles around the government of Prime Minister Margaret Thatcher. Within days of the opening of East Germany, British media close to Thatcher's Tory Party, including Rupert Murdoch's London *Times* and the Hollinger Corp.'s London *Sunday Telegraph* and *Spectator* magazine, launched a full-scale propaganda and psychological warfare attack on Kohl's efforts to secure German unity. Thatcher met with Mikhail Gorbachov in a vain effort to persuade the Soviet leader to block German unity. She met numerous times with Mitterrand, an otherwise bitter opponent on most European issues, to encourage him to pressure Germany.

British media, and even a senior Thatcher cabinet member, Nicholas Ridley, made open comparisons of a unified Germany with a "Fourth Reich," with Ridley suggesting that Kohl was worse even than Hitler.

Few fully grasped the vehemence of Thatcher and the British establishment in their determination to sabotage German economic success in the East after 1989.

German mayors demonstrate in the state of Hesse, in October 1993, against federal budget cuts. The German model of industrial banking has become almost unrecognizable, as British free market austerity takes its place.

Herrhausen, a protégé of the late Hermann Abs, the dominant postwar figure in German banking and industry, was by far the most respected and bold policy voice in the German business community. Only five months before his assassination, he had unveiled a proposal, in a speech to the Washington annual meeting of the International Monetary Fund, for a dramatic reduction of the debt burden on the Third World. He also outlined his proposal to create, outside the control of the IMF, a "Polish Bank for Reconstruction" modeled on the Kreditanstalt für Wiederaufbau, West Germany's postwar Marshall Plan credit institution for reconstruction.

In an interview with the *Wall Street Journal* shortly before his assassination, Herrhausen had outlined his concept for a 10-year reconstruction of East Germany's economic and manpower potential to serve as the "bridge" to rebuild the collapsing industrial base of all eastern European economies, most emphatically that of the then-Soviet Union. Rail and other infrastructure were central to the concept. Only days before, Kohl had addressed the German Parliament and proposed a modern railway line linking Paris, Hanover, Berlin, Warsaw, and "eventually Moscow," an echo of the now-famous "Paris-Berlin-Vienna Productive Triangle" proposal by American economist Lyndon LaRouche for rebuilding the East.

The similarly "unsolved" assassination of Detlev Rohwedder on April 1, 1991, dealt a decisive blow to the direction of German economic policy. Rohwedder, a German industrialist and former Bonn political figure, was head of the Treuhand, the agency responsible for the reorganization of the industrial and agricultural state companies of former East Germany. After his murder, Treuhand policy underwent a 180° shift. The new Treuhand chief, Birgit Breuel, was the daughter of a Hamburg banker who had been chairman of the Hamburg merchant bank Schroeder, Muenchmeyer, Hengst, today part of a large British bank. Breuel began a policy of deindustrialization under the Treuhand. Companies were sold as fast as possible to western businessmen, who often shut down the factories and used the grounds for real estate speculation.

The federal government quietly dropped its most ambitious infrastructure plans for eastern Germany, and a short-lived "consumer boom"—primarily car sales to east Germans—created an illusion of economic growth. But behind the scenes, the assassinations of Herrhausen and Rohwedder had a devastating effect on German economic policy. Step by step, Germany was transformed into an Anglo-Saxon-style "casino society," as French Nobel Prize economist Maurice Allais termed it.

The German industrial banking model, built up during the 1880s and 1890s in contrast to the City of London "free market" model, was being destroyed in a frenzied pursuit of "money for money's sake." Deutsche Bank began to speculate in currencies, derivatives, and real estate. It began selling its permanent holdings in leading German industrial companies. By 1995, the "German industrial model" was virtually no longer recognizable. The following report documents this transformation from the side of the explosion of German public debt, itself a reflector of the wrong economic policies introduced after 1989 and the murders of Herrhausen and Rohwedder.