The big banks have established British-style "investment funds" subsidiaries, the largest being Deutsche Bank's DWS and Dresdner's DIT. These funds buy or sell stock in, say, Daimler-Benz or Holzmann AG, based, not on permanent Deutsche Bank interest in those companies, but in three- or twelve-month profit gains from a given stock. Using this weapon, Deutsche Bank has driven Daimler to dump units, including AEG and Fokker, and tens of thousands of jobs with them, in the name of "shareholder value."

The shareholder value revolution is only part of the banks' strategy in preparing for the EMU in 1999. Through their new investment trusts, capitalizing on the social welfare debate which they had initiated two years ago in Bonn, the banks plan to make a fortune in attracting the savings of ordinary Germans into investments in private pension plans, whose funds then can serve as a base for Deutsche Bank's global speculation, using derivatives, of course. In announcing the new strategy, Deutsche Bank's Rolf Breuer boasted that it was being done "after the Anglo-Saxon model."

Conflict with the savings banks

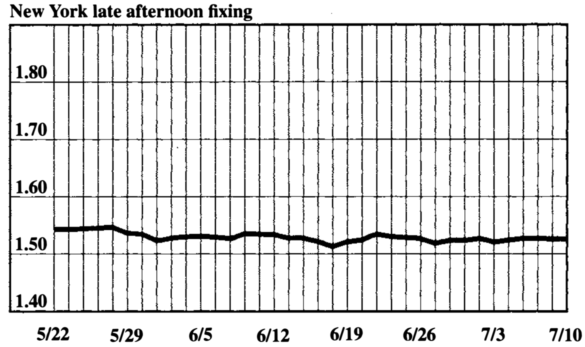
Targetting private savings in this way has directly brought the Big Five banks into unprecedented conflict with the savings banks. In an unusual comment, the head of the German savings bank association, Horst Koehler, lashed out on March 12 at Hilmar Kopper for Deutsche Bank's efforts to force privatization of the German savings banks, most of which are state-run. In the past century, the savings banks have financed homebuilding, small businesses, and farming with low interest rates. Deutsche Bank and the big banks now want to privatize the savings banks in order that they, and their deposit base of more than DM 1 trillion ($710 billion), can become takeover targets.

By law, the savings banks are strictly separated from big commercial banks, and mergers or takeovers between the two are not allowed. Koehler, pointing to Kopper's bad record as chairman at Daimler-Benz, stated that Kopper and other big bankers were "talking about investment banking, and some are trying to give the impression as though everything coming from the banking center of London must be the royal road for business policy among credit institutions." Koehler also noted, pointedly, that the savings bands had to step in to fill the credit vacuum for financing *Mittelstand* companies when Deutsche Bank and the other big banks pulled out.

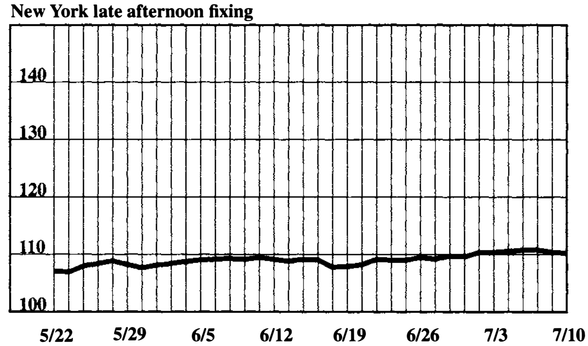
Should the transformation of German banking into free market money monoliths continue, it will likely spell the death of the postwar German industrial miracle in a few short years. Tragically, no one in Germany seems to have drawn the proper lessons from the disastrous experiences over the past decade throughout the English-speaking world, where bank failures, depression, unemployment, and social polarization into very, very rich and very poor have been the result.

Currency Rates

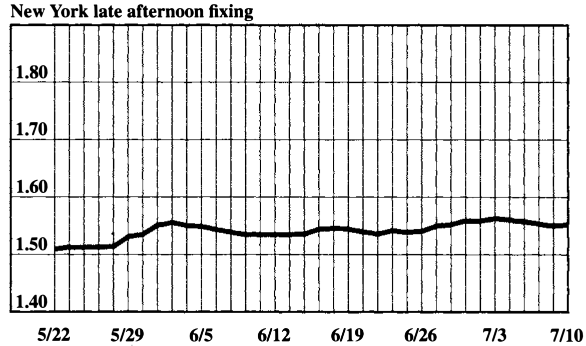
The dollar in deutschemarks
New York late afternoon fixing



The dollar in yen
New York late afternoon fixing



The British pound in dollars
New York late afternoon fixing



The dollar in Swiss francs
New York late afternoon fixing