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head of the Italian central bank, Antonio Fazio, have recently emphasized the decisive role of the sovereign nation-state for defending the general welfare. Each of them has spoken about the "golden 30 years of the period following 1945," when scientific and technological progress led to economic growth, full employment, and increasing standards of living. And each of them has named the "paradigm shift" since the 1970s and "globalization" as responsible for the current crisis.

In Germany, we have to adopt these positions of Jospin and Fazio, and turn our backs on the Caligula-caricature of Tony Blair and his "Third Way." The existence of Germany and the entire continent of Europe are at stake, so there is no reason to have inhibitions about dogmas which make a strategy for survival impossible.

The BüSo therefore demands:

1. The Maastricht Treaty must be rescinded immediately.
2. The Kreditanstalt für Wiederaufbau (German Reconstruction Bank) must immediately be enabled to issue credits for the maintenance of existing, and creation of new productive jobs. The criteria of physical economy must be strictly adhered to in that regard.
3. Not only must the existence of the *Landesbanken* [state banks] and the savings banks be assured, but these institutions must be expanded to ensure the necessary lines of credit to the medium-sized industrial sector.
4. As the economist Dr. Wilhelm Lautenbach observed in his famous memorandum to the Friedrich List Society in 1931, under conditions of international crisis and depression, state investments in infrastructure projects, which are necessary in any case, are of decisive importance. Such investments are not inflationary, because they create real social value, they lead to capital formation, and bring about a recovery of the economy. Today, such projects are the contruction of a Transrapid maglev network in Germany and participation in the construction of the Eurasian Land-Bridge.
5. Incompetent managers, who believe more in speculation and virtual services than in the production of real goods, must be replaced by men and women who know something about production. The same goes for bankers, who have to think of themselves again as servants of industry and agriculture, and not as megalomaniac dictators, who operate as de facto adversaries of our national economy.

It is relatively easy to put the economy back on course. We only have to remember how Germany created the economic miracle.

But the solution to this crisis requires more: It requires a political solution, and there can only be such a solution if people become citizens and take active responsibility, so that our country and our future can be saved.

Therefore, join the BüSo.

The plot to collapse German public banks

by Lothar Komp

It is no wonder that the large private banks in Germany are demanding that the public banks be either dismantled or cut back: They want to eliminate a tenacious competitor, as well as to make a grab for the immense deposit base of the domestic savings banks, in the international takeover battles of "eat or be eaten."

The European Commission and the International Monetary Fund (IMF) have the German banking system, so successful in the reconstruction effort of the postwar years, in their cross-hairs. The EC Euro-crats, who have captured the headlines on account of certain "private subsidies" to the benefit of their own pockets, are frothing at the mouth to abolish private subsidies all over Europe. The IMF, whose function in recent years has consisted of organizing some $200 billion to rescue the foreign credits of large private banks all over the world, is hurrying to protect the naked flanks of the Euro-crats.

At the moment, both are concentrating their attack on the presumably weakest flank of the public banks in Germany, the 13 *Landesbanken* (state banks). There is no doubt that they will also be going for the throats of the 594 savings banks, with their 19,100 branches.

On July 8, the European Commission imposed a 1 billion deutschemark ($5.4 billion) penalty on Westdeutsche Landesbank (West LB), the largest of the *Landesbanken,* for an allegedly "illegal subsidy" from the state of North Rhine-Westphalia. That was the first blow, to be followed by another on Nov. 24. Although the European Union already has the most draconian prohibitions against state subsidies anywhere in the world. EU Competition Commissioner Mario Monti will then present new guidelines, intended to impose an even stricter neo-liberal economic policy on the member-states of the European Union. According to leaked information, the EU will demand that banks either withdraw from international business completely or be denied the protection of state credit guarantees.

The savings banks, to the extent that they limit themselves to their local and regional tasks, would be let off the hook this time. But the *Landesbanken,* which are very much involved in financing industrial and infrastructure projects of German industry abroad, are to be denied the "competition-skewing" of state guarantees in the future.

That is why the EU Commission will demand of the Ger-

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man government that it provide dossiers within the next 12 months on the practices of all 13 of the *Landesbanken* for purposes of review. To the point, Savings Banks president Dietrich H. Hoppenstedt posed the question recently: "Just who is it, who has the final say on the sort of economic order which a EU member-state wants for itself?"

Final solution: privatization

In collusion with large private banks, the European Commission, and the IMF, the umbrella organization of all national associations of private banks in the European Union, the European Banking Federation (EBF), pronounced on Nov. 10 that it would launch a formal complaint at the European Commission against all state guarantees for public banks in Germany. This is just the ammunition which the European Commission needs for its follow-up moves against the German banking system. Likewise in November, the IMF published its *IMF Staff Country Report No. 99/130,* which is a detailed statement of its position on the issue of the public banks, the *Landesbanken* in particular.

The IMF emphasizes that the different forms of banking institutions in Germany have unique features. No other banking system in Europe manifests as little concentration as the German system, and no other system has such a large share of public banks. But now, according to the IMF, the context for such a structure of banking has changed radically. With the introduction of the euro single European currency and increased competition in European banking, the question now is, "whether the original reasons for the introduction of public banks continue to exist." It is difficult to determine, according to this report, to what degree the *Landesbanken* are still crucial for the development of structurally weak regions. Be that as it may: Financial globalization will mean increased pressure on the public banks in Germany, according to the IMF.

TABLE 1
Market shares of German credit institutions, December 1998

Private banks		38.9%
Credit banks	25.3%	
Private mortgage banks	13.6%	
Cooperative banks		14.0%
Credit cooperatives	3.9%	
Cooperative central banks	10.1%	
Public banks		37.8%
Savings banks	17.8%	
Landesbanken/Giro banks	18.2%	
Public credit institutions	1.8%	
Credit institutions for special purposes		9.3%
Total		**100%**

The IMF then sketches three scenarios for "the future of the *Landesbanken*." On the one hand, the *Landesbanken* could be made more efficient, which means, in the usual vocabulary of the banking world, that they would cut back on their less profitable business (usually in projects of benefit to the general welfare of society) and become more involved in financial dealings with more promising profit-margins. Nowadays, 15% is seen as an absolute minimum rate of return. The second alternative the IMF offers, is the abolition of state guarantees, which would require a change in the law. "A final solution would be to dissolve the current structure of the *Landesbanken,*" the IMF concludes, and that would be achieved either by limiting these banks exclusively to their public functions, "or by privatizing them, so that they operate entirely as private banks do."

Who subsidizes whom

That is obviously the aim. The rhetoric of the European Commission and the IMF is, however, nakedly hypocritical. The state guarantee for the savings banks and *Landesbanken* does indeed make it possible for these banks to obtain money on the capital markets at more favorable conditions. But this is also the prerequisite for their long-term investments in the public interest, which do not generate high profit-margins.

While no Competition Commissioner would ever dream of forbidding a large private firm to provide capital to a subsidiary company, the European Commission thinks that the principles of the market economy are threatened, if the German state of North Rhine-Westphalia transfers capital to its own property, West Landesbank, without being penalized.

Neither the EU Commission nor the IMF had any objections when 14 large private banks, Deutsche Bank among them, threw several billion dollars into the bankrupt LTCM hedge fund in September 1998, following LTCM's plundering of half of the world's financial system with its thousand-fold leverage on $3 billion capital, which went to $100 billion of credit, and then to $3,000 billion of financial bets. The U.S. Federal Reserve even played the role of the "guarantor" for this form of "subsidy."

Incidentally, John Meriwether, the founder of LTCM, plans—according to the *Bloomberg* financial newsletter—to build up a new speculation fund under the name of JWM Partners. The aim is to initially pull together $500 million in capital, and then, 18 times that volume in credits, which will then be the base for leveraging far greater volumes of financial speculation. This time around, Meriwether would be content with an annual profit of 40%. According to *Bloomberg,* Meriwether has been promised the assistance of one large German private bank in pulling together the capital for LTCM's successor. As the reader may already suspect, it's Deutsche Bank. According to these reports, Deutsche Bank even intends to invest directly in the fund. So, future "subsidies," running into the billions, are already assured.