

'Privatization' to ravage German economy

by William Engdahl

West German Economics Minister Martin Bangemann (Free Democrat) has just won the agreement of Chancellor Helmut Kohl's coalition government to a series of proposals which, if implemented, will ensure that the remaining industrial base of West Germany will go the way of that of Britain and the United States. Bangemann's *Annual Economic Report*, on the theme "dismantling dirigism," calls for selling off state-owned enterprises, using the fashionable liberal term, "re-privatization." The document has been approved by the entire cabinet as government policy.

Bangemann proposes to remove the last of the protective barriers which West German industry has built up over a century and half, and which restrict "wild west" stock-market speculators from using the bourses to play with major industries as though they were chips on a Monte Carlo gaming table. The proposals will remove taxation on stock transactions, open medium-size companies to the lure of the unregulated bourses, and sell off such state enterprises as Veba, VW, and Salzgitter. Even Lufthansa, Airbus, and the Bundesbahn (Federal Railway) can become targets for privatization. In the 1920s, Hjalmar Schacht, Hitler's economics minister, opened German steel and other industry to the looting of the London and New York financiers around Morgan Bank. That swindle was known as the Dawes and Young Plans after the signing of the Versailles Treaty. But Schacht would drool in envy to see what Herr Bangemann and his colleagues now want to impose on a largely unsuspecting German nation.

The Thatcher model

The "privatization" frenzy of recent years swept from Thatcher's bankrupt England, via her Swiss-based economics advisers, to Ronald Reagan's Washington, and now threatens the industrial capacity of Western Europe. The Bangemann strategy is "Made in England" by Swiss tailors. With finishing touches by such as the Kiel Institute's Herbert Giersch, Germany's "privatization" actually originates with an elite circle of secretive economists around the aged Friedrich von Hayek, Milton Friedman, Max von Thurn, and Karl Brunner—the so-called Mont Pelerin Society. These "economists" go so far in their "free market" economics (read: usury) as to call for the legalization of heroin.

In 1979, Britain's "Iron Lady," Margaret Thatcher, came into office with a commitment to dismantle the state sector

and reduce the role of government in economic policy. Thatcher's private economic advisers were coached by Prof. Karl Brunner of the Mont Pelerin Society. Brunner, who alternates between residence Geneva and New York, has been perhaps the single most influential strategist of the "Thatcher Revolution" and the Reagan "Supply-Side Revolution." As a result of the policy imposed by Thatcher's retreat from dirigism, British industry is a wreck of rusty, outmoded technology.

Britain's most important asset of recent decades, the vast reserves of oil and gas discovered in the North Sea, has been turned over to private companies which are presently collapsing investment in the area because it is cheaper for them to get oil on other markets. Already privatized under Thatcher's program are Britoil, the state oil company; National Telecom, the telephone and telegraph utility; Associated Ports Holdings, the national harbor authority; British Petroleum; British Gas; British Airways; British Shipbuilders; and British Aerospace. It is now proposed that the state sell off the National Water Authority, which regulates the provision of basic drinking and industrial water to the nation.

Junk bonds and stock bubbles?

The sale of German state enterprises to the "private sector" is only one side of what has become the biggest stock swindle in human history—worldwide deregulation of financial markets. This scheme, the most ambitious project of the Mont Pelerin strategists, will make banking nothing but one vast money-laundry for moving hundreds of billions in world criminal revenues into the takeover of entire national economies. The model for this fraud is the New York Stock Exchange and the development of what are known as "junk bonds."

Last year, through one firm, Drexel, Burnham, Lambert, with headquarters in New York, \$47 billion was raised in so-called junk bonds to finance huge, speculative corporate takeovers.

Under recently passed U.S. laws, financial markets are effectively removed from any and all state control and supervision. They can literally "get away with anything." An estimated 70% of the "boom" in the U.S. stock market in the past three years has come from purely speculative stock mergers or rumors of mergers, financed largely by "junk bonds."

Revisions of U.S. law, very similar to what Herr Bangemann plans to impose in the Federal Republic, permit tiny, often unheard-of firms with assets of millions to take over billion-dollar giants like Gulf Oil, Bethlehem Steel, or Trans World Airways. Names like T. Boone Pickens, Carl Lindner, Saul Steinberg, Vic Posner, Stephen Wynn of the Atlantic City "Golden Nugget" casino, people who, a decade ago, were buried in the dark recesses of arbitrage or "loan sharking," suddenly become "respectable" giants in corporate America. How?

Junk bonds are totally unsecured debt—or rather, debt

secured only by the value of the firm to be taken over by use of the borrowed funds. Thus, a small firm, targeting a corporate giant, uses, not its own net worth, but the net worth of the targeted giant to secure the loan. The borrowed debt is then repaid by "asset stripping" of the victim company. Thus, in one case, little-known Triangle Industries, with a net worth of \$65 million and annual sales of \$2 million, borrowed \$428 million at 18% interest. Why? In order to take over one of the top 500 U.S. industrial companies, National Can Corporation, with assets in the billions.

The loans come to this select circle of takeover specialists from one company, Drexel, Burnham, Lambert of the Belgian Baron Lambert. Drexel raises capital from international sources in the form of junk bonds. (Because junk bonds are totally unsecured, if the firm goes into bankruptcy, holders of these bonds get nothing for their paper. Hence the name "junk.")

Drexel, Burnham, Lambert is reliably reported to be linked to the murky world of offshore money laundering and the secret Luxembourg, Swiss, and Panamanian bank accounts used by the narcotics mafia to "launder" billions in illegal drug revenues back into the legitimate economy. Gambling casinos such as those in Las Vegas have been run by organized crime since the 1930s for just this purpose. But as the revenues of criminal activity have soared in recent years, new innovations have been developed. Enter financial deregulation and "financial innovations" in world stock markets.

At the center of the "financial revolution" has been Donald Regan's Wall Street firm, Merrill Lynch. "Merrill Lynch, E. F. Hutton, these firms are synonymous with fraud," commented one veteran attorney in the Federal Republic familiar with a wave of law suits against these firms' branch offices in Germany and elsewhere. "Why else do Merrill Lynch or E. F. Hutton have offices in Lugano, Switzerland? The 'Pizza Connection' is only the one that got caught laundering illegal money across the Italian border into secret Swiss banking accounts."

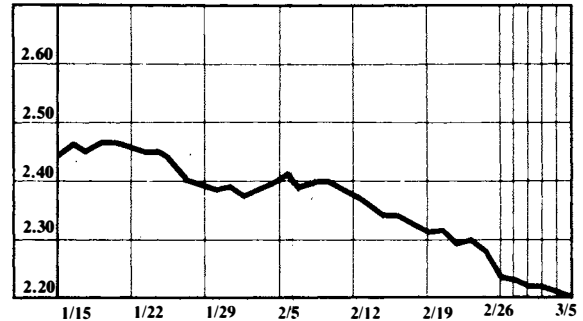
In October, under what is called by the financial speculators the "Big Bang," the City of London will complete the Thatcher process of deregulation of financial markets. At that point, 24-hour Hong Kong to London to New York computerized speculation in the billions will be unleashed daily. Frankfurt and other German bourses and banks are simultaneously removing the last vestiges of defense against this "offshore" attack. There will be no restriction on "foreign capital" coming in to buy up German industry, loot it of value, and sell the remains for scrap. Meyer Lansky's defunct Investors Overseas Services, the most famous money laundry of the 1960s, pales by comparison with this computer-age swindle.

Leading Mont Pelerin official Max von Thurn, relative of Bavarian financier Prince Johannes von Thurn und Taxis, three years ago delivered a speech in which he advocated government legalization of the "black economy." The Banemann plan will do just that.

Currency Rates

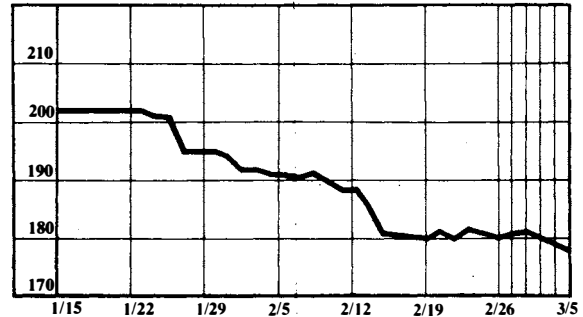
The dollar in deutschemarks

New York late afternoon fixing



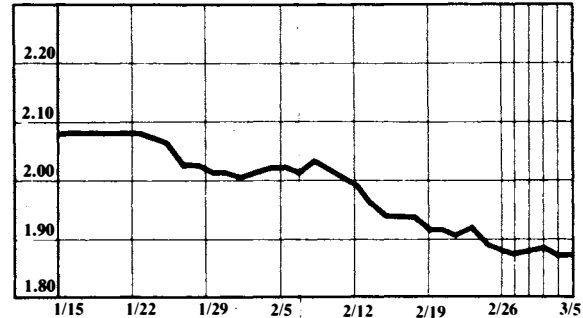
The dollar in yen

New York late afternoon fixing



The dollar in Swiss francs

New York late afternoon fixing



The British pound in dollars

New York late afternoon fixing

