

## Germany needs an industrial policy

by Helga Zepp-LaRouche

*In view of the worldwide economic depression and the threat of international conflicts, Germany urgently needs a new intellectual elite. As this week's "Report from Bonn" (page 60) indicates, the entire postwar political party establishment is undergoing a collapse. In that context, Helga Zepp-LaRouche, national chairman of the Bürgerrechtsbewegung Solidarität (Civil Rights Movement-Solidarity), has announced her availability as a candidate for federal chancellor in the 1994 elections. What follows is her announcement, which provides at the same time a broad strategic overview. It appeared in the weekly Neue Solidarität and was translated from the German original by John Sigerson.*

The speed with which the global collapse is proceeding, is truly frightening. But I am no less concerned over the failure of the elites in all industrial nations—with the possible exception of France—to deal with the crisis. Although the global depression is becoming increasingly dire, up to now, not a single government has developed any idea of how to reverse it. Russia, Ukraine, and the entirety of eastern Europe are heading into a catastrophe; but no western government has a policy for Russia which might promise some success. Genocide is being committed in the Balkans and in many parts of the so-called Third World. And what is Europe doing about it? Europe's moral condition is itself a catastrophe!

Europe's political class would prefer to tolerate genocide in Bosnia, rather than state openly that Great Britain has been backing the Serbian aggression from the very outset, on geopolitical grounds. What has become of the assurances we heard for decades: "Genocide, never again!"?

Like a teacher's pet, Bonn is acceding to the Anglo-American diktat over the General Agreement on Tariffs and Trade (GATT), and is destroying hundreds of thousands of healthy pigs, ruining the livelihoods of tens of thousands of pig farmers, while just next door in the Balkans, 4 million

people are threatened with death by starvation and cold! Have the politicians and bureaucrats forgotten that it is a sin to throw away food for no reason?

The leaders of Europe would prefer to shrug their shoulders and accept the fact that the present financial system and free trade is condemning 80% of the world's population to a living hell, rather than admit that policies based on neo-malthusianism are wrong, and that free trade is destroying our planet.

Just four short years ago, anyone who might have said that the Bonn government would one day create conditions within Germany's new states much worse than they were under communism, would have been written off as a madman. And if, back in the 1960s, someone had predicted that Germany would one day entirely turn its back on scientific and technological progress, no one would have believed him.

How has it come to pass, that all these horrors have now been accepted as a matter of course, that our political elite is now merely managing its own demise, and that there has been no public outcry?

All this would have been unthinkable 25 years ago. The problem is that in the meantime there has been a transformation of values. Most people did take notice as step by step, the basic assumptions of judgment among the population were undermined, liberalized, and replaced with other, different values. Considered in this light, our citizens have just the politicians they deserve, since after all, it was those citizens who elected them to office.

The recent election results in Canada, which left the Conservative Party with only two parliamentary seats out of their previous 157, and in Italy, where in municipal elections communists and fascists emerged as the winners, while the Christian Democrats slid below the 10% mark, clearly show how the voters are paying the politicians back for their impotence.

The fact that the PDS (Italy's reformed communists) and

the MSI, led by Mussolini's granddaughter, won elections, marks the collapse of the political system which has sustained the Italian state since the end of World War II. In the runoff elections on Dec. 5, Christian Democrats, Social Democrats, and other voters will now only have the options of voting communist, fascist, or not at all.

Thus have Italy's political institutions been so devastated by the conditionalities imposed since the 1970s by the International Monetary Fund, and by a destructive austerity policy, that very soon, the Italian nation may now quite possibly fragment into a separate North, a central region, and a South.

### French criticize free trade

The only country whose elites seem to have begun to wake up, is France. An acrimonious debate over fundamental principles is currently raging in our neighbor country, over the threat to France's very existence in the event that free market economic policy is continued, and France capitulates in the General Agreement on Tariffs and Trade (GATT) negotiations. France could easily succumb to the same fate as Italy and Russia, and could do so much sooner than one might think.

There was a sudden recognition that under those conditions, the labor market, already plagued with 3 million unemployed, would finally collapse altogether, thereby threatening to crumble the very foundations of the state. France is faced with the alternative of either defending itself against the insanity of Anglo-American free trade, or else going under. It is most likely similar considerations prompted President Mitterrand, in the middle of the strike against Air France, to take a more conciliatory attitude toward Air France's employees.

Among the indications that people in France are now addressing questions of fundamental import, is the remarkable fact that the latest encyclical of Pope John Paul II, *Veritatis Splendor*, tops the bestseller list and has already sold more than 200,000 copies. In this encyclical, the pope explains that in contrast to the currently prevailing *Zeitgeist*, there indeed do exist universally valid, knowable truths, and that even in the conduct of our daily lives, the universal and eternal natural law is a concrete measure for judging what is good, and what evil.

Shaken by a vision of the potential destruction of the nation, some in France are beginning to question the premises upon which political decisions have been based. Considering the enormous pressure which Great Britain and the United States have been putting on France to agree to the so-called Uruguay Round of GATT, it is of the utmost significance that Maurice Allais, winner of the Nobel Prize for economics, has just issued a detailed refutation of a World Bank and OECD study which has served as the basis for these trade negotiations.

Allais points to the study's absurd contention that with a partial liberalization of world trade, along with a 30% reduction in agricultural subsidies, a \$213 billion increase in world



*Helga Zepp-LaRouche at the Kremlin Wall in 1993. "No western government has a policy for Russia which might promise some success."*

income could ostensibly be attained by the year 2002.

The highly respected economist emphatically warns against accepting the conclusions of a study which has been based on a highly disputed model of world trade. The idea that for months, these completely erroneous assumptions have been used by political responsables as an aid in their decision-making, is downright frightening, when one considers that the fate of millions hangs in the balance.

The errors and omissions in the study are in fact enough to make one's hair stand on end. The report contains no quantification whatsoever, and only gives percentages. No precise figures are given for the actual relative economic power of the 22 regions studied, nor for their value of production, subsidies, import volumes, etc.

The study assumes from the outset that man is equivalent to the beasts; it makes no distinction between relative wage levels in each of the 22 regions, and assumes full flexibility in the employment of labor. It simplistically postulates that full wage flexibility will automatically lead to full employment. In other words, it simply claims that the destruction of "expensive" workplaces and the transfer of production into cheap-labor countries—e.g., from the Ruhr region in Germany into Slovakia—will result in the workers in the Ruhr finding another, more poorly paid job.

The study gives no consideration to distortions resulting from exchange rate fluctuations, nor does it reflect the fact that speculative financial transactions are currently taking

place on the order of \$1 trillion each day—40 times the normal daily volume of trade.

Allais further points out that it is absurd to treat the question of industrial and agricultural subsidies in simple monetarist categories, without also considering their overall economic effects on consumption, production, tax revenue, etc. The actual costs of commodity production, of maintaining a productive labor force, of building infrastructure as a precondition for creating new workplaces—all these factors are not considered at all.

According to Allais, the study is so completely unscientific, that it has no practical value whatsoever, and is nothing but a gigantic mystification on behalf of a simplistic ideology of dogmatic and unhampered free trade.

The fact that Allais faces off so uncompromisingly against monetarism and free trade at a time when this ideology of usury and greed is threatening to ruin the entire world economy, is all the more fascinating because it is a virtually crushing condemnation of the econometric model upon which the World Bank study is based.

### **LaRouche's contribution to economic science**

It is no accident that my husband, the American economist Lyndon LaRouche, developed his own economic method through a refutation of precisely the same mathematicians upon whose work the World Bank's model was derived. In the 1930s, the Austrian arithmetician John von Neumann presented his so-called "theory of games," claiming that any economic system can ultimately be reduced to a complex set of linear equations.

Together with the economic theoretician Oscar Morgenstern, von Neumann proceeded to publish *The Theory of Games and Economic Behavior*. This book, along with the methodologically closely related information theory of Norbert Wiener, greatly influenced the shape of current economic theory.

In dealing with the monetary system per se, it might be an interesting game for computer nerds to stick 30,000 linear equations into a single model, and then to come up with the sum of \$213 billion of economic value added to the world economy by the year 2002. Such a computer nerd might even succeed in entirely blotting out from his memory the existence of starving continents and collapsing economies. But this has nothing whatsoever to do with the actual economy.

LaRouche developed his own economic method in the physical-economic tradition of Leibniz, Alexander Hamilton, Friedrich List, and the Careys. He demonstrated that the assumption that an economy can be reduced to a set of linear equations, ignores what is in fact the sole source of increases in social wealth: the human individual's creative reason, and his capacity to continually form new hypotheses. Through the mediation of science and technology, technological progress is brought about, which, in turn, permits increases in the productivity of labor. This increase in productivity is the sole

source of social wealth.

Arithmetic equations are completely unsuited to represent these processes, which are necessarily non-linear. LaRouche further developed the geometry-oriented mathematics which had been fashioned by Nicolaus of Cusa, Leibniz, Riemann, and Cantor. Among LaRouche's special accomplishments was his recognition of the significance of the Cantorian theory of manifolds for understanding negentropic process in physical economy, and the positive influence which this recognition has on breakthroughs in modern physics.

In October of this year, LaRouche was selected as corresponding member of the Academy of the One Hundred in Moscow, Russia's first independent academy. Explaining his reasons for the selection, Academy member Prof. Bencion Fleischmann said that LaRouche might be considered the founder of a new direction in the natural sciences.

So let all the Rexrods, Lambsdorffs, and Breuels scream all they want: Maurice Allais and Lyndon LaRouche are the only competent economists far and wide—Allais especially because of his devastating critique of monetarism and speculation, LaRouche for having devised concrete development programs for the reconstruction of the world economy on the basis of his further advances in this method.

Rexrodt and company in the meantime are not exactly bathed in glory. They simply did not notice how incompetent the theoretical foundation of OECD policy is—which merely confirms what the miners in Bischofferode and the Monopol coal pit already know: When it comes to economic policy, the politicians don't know what they're talking about.

If there is one thing on which a large part of the French elite completely agree with LaRouche, it is this: A Marshall Plan for Russia and the entire East represents not only our only possibility to perhaps avert the catastrophe before it is too late, but is also the only route by which the West can once again achieve full, productive employment.

### **Who lost Russia?**

The West is bound to wake up from its fatal indifference over the coming months, once General Winter imposes his harsh regime upon Russia, while only the general chaos perhaps holds off a neo-imperialist, Great Russian consolidation of power. At the very latest, once the new condominium between Washington and Moscow results in a few bloody surprises, the public debate will have to begin over who is actually to blame for having so miserably missed the great historic opportunity of 1989, and over who is responsible for the West having no better answer to the collapse of communism, than to plunge the people there even more deeply into poverty and despair.

What is certain at this point, is that Margaret Thatcher and George Bush, with their geopolitical games, will stand out as the true guilty parties, because they spared no effort to prevent Russia from emerging as a new competitor on the world market, and to prevent Germany from playing any significant role in the economic development of the East.

Russia has never really recovered from the brutalization of the Mongol conquest and occupation, and has never gone through a process such as the Italian Renaissance, which in the western part of Europe made possible the full unfolding of the individual personality.

Today, following the brutal implementation of shock therapy, the Russian military remains as the sole force integrating Russian society; and thus, a return to the cultural matrix of Moscow as the "third and final Rome" appears to be a quasi-natural reflex. And if the neo-malthusian, monetarist policy is continued any longer, Russia will surely be driven into a hopeless situation where even the first use of nuclear weapons, which is now being openly talked about for the first time in connection with the new military doctrine, becomes a very real possibility—and not only for Ukraine.

There is only one way out: Continental Europe, under the leadership of the Franco-German alliance, must immediately return to a policy in the tradition of the collaboration between Leibniz and Peter the Great. The West today must offer exactly the same infrastructure program which LaRouche already proposed back in November 1989 as a concept of political stabilization through economic development.

Furthermore, the idea of Leibniz's academy, the economic policy of Count Witte, and the reforms of Alexander II must likewise be taken up again. But above all, the West must be made to understand that the intelligentsia in Russia, which in times past has been largely tied into the military-industrial complex, represents the only force able to transform the country.

It would be the height of folly for the West to force a conversion of the high technology of the military-industrial complex into simple consumer goods production. On the contrary, the West must help Russia to utilize its highly qualified scientists to transform Russia's productive capacity into leading-edge areas in the civilian sector, so that the population can hope for a real opportunity to improve their living conditions.

The crucial issue for any competent western policy toward Russia, is how Russia can be transformed from an empire into a republic. For centuries, the Russian people have lived under dictatorships, first under the czars and then under communism, and consequently have been steeped in a culture of collective consciousness. The task at hand today is therefore to have the Russian people experience, through personal familiarity with scientific and technological progress, that strengthening of individual character which alone can serve as the basis for true democratization into a functioning republic. And for this, the catalytic role of the Russian intelligentsia, and their incorporation into civilian high-technology fields, are indispensable.

When western politicians give so much as lip-service to Yeltsin as a "democratic reformer," even after he has just crushed the democratically elected Parliament with the military's assistance, they are only demonstrating that they do not have the slightest grasp of the history of

Russia or of democracy.

## Why I must run for office

In light of the pathetic policies of the Bonn government over the past four years; in light of the fact that at the Social Democratic Party's recent convention in Wiesbaden, the situation in Russia was not even brought up; and considering the bottomless and intolerable immorality shown by all established parties—the Greens included—in writing off the so-called Third World, I consider it necessary to make myself available as candidate for federal chancellor in the next parliamentary elections.

No one can deny the fact that ever since November 1989, with our proposal for a "Paris-Berlin-Vienna Productive Triangle" as the kernel of a Eurasian infrastructure program, I have been the only one to date to have a concept of how Russia and the eastern European states can be drawn into peaceful cooperation.

Similarly, no one can dispute the fact that ever since 1976—i.e., for the past 17 years—I and my associates have been intervening to establish a new and just world economic order, and have been formulating concrete development programs for every region of the world. As a result, the global reconstruction program associated with the name LaRouche is regarded today by many people in the East and in the South as their only alternative and their only hope.

The beginnings of a debate over the principles of a correct economic theory can be seen not only in France, but also in the United States. The latest issue of the American magazine *Atlantic Monthly*, for instance, reported in 26 pages to its astounded readers, that free market economy and free trade isn't the be-all and end-all, and that there also exists a much more successful economic tradition, namely the physical economy of Leibniz, Hamilton, and List.

One of the most important aims of my candidacy, is to spark such a debate in Germany, too. For, as important as it is for France to harken back to its own tradition of Colbert and the Ecole Polytechnique, it is nevertheless true that what happens in Germany will ultimately decide whether Europe is destroyed by free trade, or whether it develops its own industrial policy before it is too late.

The absence of any discussion here about List and Witte, can be traced to the fact that Germany has become a land without a history. Two world wars, and the reeducation during the postwar years, have precluded the development of an institutional German elite, with only a few exceptions, such as Adenauer.

My candidacy therefore has set as its goal the formation of a new political elite which can lead the country out of this crisis—not an elite in the sense of a power elite, but rather an intellectual and spiritual elite, which can stand on the same moral plane as Nicolaus of Cusa, Leibniz, Schiller, and Beethoven.

Virtually all of the currently dominant ideas—transfer of production, "globalization of production," securing an ostensi-

ble “zone of stability” by building a new “Limes” wall beyond which the “zone of instability” (i.e., 85% of the world) will be allowed to sink into chaos—are utter nonsense.

We need a reasonable industrial policy for Germany and for Europe. As chancellor, I would do precisely the same as Felix Klein did with the Göttingen Circle in the last century: I would meet regularly with top representatives from industry and science, and would set priorities for production and research for the upcoming period.

It almost goes without saying, that certain economic sectors serve the common weal and are prerequisites for the development of industry, even though they are initially unprofitable in and of themselves; among such sectors are modern infrastructure—such as the European-wide expansion of the Transrapid—energy production and distribution, and telecommunications. In these sectors, it is necessary that the federal government take over the startup financing, so that the benefits can be distributed throughout all other branches of production.

Certain specific priorities are obvious. Germany is still barely clinging to its lead in magnetically levitated train technology; this must be turned into a top export item, along with the inherently safe high-temperature nuclear reactor. Daimler-Benz should rethink its priorities, and should not assemble cheap consumer goods abroad, and must return to promoting the high-technology sector. MBB’s Sanger project, and space travel in general, must open up future markets as they bring about advances in current production through the introduction of new materials and industrial processes.

This must go hand-in-hand with tax legislation to favor production and research, and to make speculation highly unattractive.

Precisely because of the dangerous world situation, our security and defense policy must not yield to panic over the government’s bankruptcy, but must truly proceed from the interests of Germany and of Europe.

Do we really want to merely look on as the violence among children and young people grows to monstrous proportions, as their games become simple imitations of the horror videos now flooding the market? And, as a recent advertisement in the French daily *Liberation* asked, do we really want to wait until the process of Americanization becomes so far advanced that Europe can no longer recognize its own interests?

It is urgent that we return to the Humboldt ideal of education, which puts the formation of the individual’s character at the top of the agenda, and which seeks to convey universally valid values of history, values which are the sole means of enabling the young person to develop his or her inborn creative potential.

We have arrived at a dramatic point in our history. We urgently need a quick change of course. I would like to call upon all readers of this newspaper to join with me in a debate over the issues I have sketched out here.

## Italian vote polarized by free-trade insanity

by Claudio Celani

Naples, 1994. At the economic summit of the Group of Seven industrialized nations, President Clinton lands, emerges from his helicopter, and is greeted by the mayor—Mussolini. A nightmare? It could very well come true if the Italian Social Movement (MSI) candidate in the Dec. 5 runoff for the mayoral elections, beats her leftist opponent. Alessandra Mussolini, granddaughter of the Duce, placed second in the first round of mayoral elections on Nov. 21 with 30.8% of the vote, and will now challenge Antonio Bassolino, a traditional communist who came in first as a candidate of the PDS (the reformed Communist Party)-centered leftist coalition.

A choice between a “communist” and a “fascist”? Yes, sir, and if you vote in Rome, 200 km to the north, your choice on Dec. 5 will be between another “fascist,” MSI Secretary General Gianfranco Fini, and another “communist,” Francesco Rutelli. In Genoa, the choice is between “communist” and former prosecutor Adriano Sansa, and a representative of the separatist Northern League. The list is endless. The polarization of political life is everywhere. One has to go to minor cities to find traditional “moderate” parties in the runoff, such as in Macerata, where the Christian Democracy (DC), the main government party, made it past the first round.

The general picture is total left-right and north-south polarization, with the Northern League confirmed as the largest party in northern Italy (although failing to achieve a “breakthrough to the sea”), the left emerging as the leading party nationally, and the right wing undergoing tremendous growth in central and southern Italy. The DC, which in the general elections last year still got 30% of the vote, collapsed to about 10% on average. Its main coalition partner, the Italian Socialist Party (PSI), has practically disappeared from the scene. If general elections were held now, the government coalition would barely get 15% nationwide.

### Revolt against austerity

It is clear that the gigantic corruption scandals which hit government parties and have dominated political life for the last year and a half are a crucial motivating factor behind the vote. But Italians are no puritans. They can live with scan-