

Berlin Seminar: It's No Recession, It's A Collapse Of The System

by Muriel Mirak-Weissbach

On Nov. 5, *EIR* held its latest Berlin seminar on economic-strategic matters, in the Grand Westin Hotel: this one dedicated to the question, "What Can Be Done In The Face Of A Financial Meltdown?" The seminar had been planned, and invitations sent out, long before the shock of Sept. 11 hit the world. Yet, precisely because of that shock, the conference acquired new, and more profound dimensions. It was not a seminar like many others, but an event which left a deep personal impact on the participants. Numbering over 125, they represented economic, diplomatic, political, and press circles from Germany and other European countries.

In introducing the seminar, *EIR* Executive Director in Germany Michael Liebig brought the point into focus: The world economic-financial breakdown crisis was in full gallop before the terrible attacks on the World Trade Center and Pentagon; but, the impact of those dramatic events on the economy were immense. The attacks themselves, as Lyndon LaRouche identified them as they were in progress, were part of an attempted coup d'état process, by elements inside the United States, who aimed at forcing the U.S. Administration to go to war abroad (in Afghanistan, against presumed perpetrator Osama bin Laden), and to introduce emergency measures at home, including emergency economic-financial measures. The dynamic behind the coup plotters, was their awareness of the impending financial meltdown. They could recognize it as a threat to their power, but could not face it rationally as a reality to be dealt with.

Just how catastrophic the ongoing collapse is, was illustrated in a brief graphical review, by *EIR* economist Lothar Komp, showing the dramatic collapse of virtually every U.S. economic category: business investment, exports, U.S. industrial production, capacity utilization, new orders, manufacturing activity, unemployment, and consumer spending. And the

same picture emerged for Europe and Asia. Komp concluded, "The present global economic downturn is not a cyclical recession, that can be overcome by some rate cuts or stimulus packages. Due to decades of destruction of infrastructure and industry by 'shareholder value' ideologies, and in particular due to the biggest financial imbalances in the history of mankind, the world will plunge into a deep depression, unless certain extraordinary measures are taken."

Lyndon LaRouche directly addressed the question, "What Must Be Done About The Economic-Financial Meltdown?" LaRouche said the cause of the crisis today, lay in the "pathology" of the last 35 years, of relying on the mentality of accountants, or of "general public opinion and government opinion, which obviously does not function." Reviewing history, he said, that whereas from 1945-1963, "Western Europe and the Americas and Japan in particular, had prospered . . . [with] a net growth in per-capita physical product, in per-capita standard of living, in per-capita productivity, and the general productivity of industries," in the early 1960s, there was a decline. Over that period, there has been a "succession of changes in the way the world thinks about economy," focusing on financial figures and accounting, rather than real production.

The key to the relative success of the 1945-1960 system, LaRouche said, was the "Bretton Woods system — which was a gold-reserve-based, well-regulated system, a protectionist system — [which] caused those who participated in the system, as nations, to improve the standard of living, to improve productivity and, generally, the perception of prosperity in the future. From the changes that occurred during the interval between 1964 and 1967 — a trend of changes — we have gone downward. We went downwards since 1971; the floating exchange system has bankrupted the world."



EIR's Berlin seminar took place in midst of a critical economic downturn, and was widely attended. At the dais are (left to right) Lyndon LaRouche, moderator Michael Liebig, EIR economic analyst Lothar Komp, and Dr. Wilhelm Hankel, former chief economist of Germany's post-war reconstruction agency, the KfW.

LaRouche emphasized that “governments must declare the financial system *bankrupt*, and use the sovereign authority of governments, individually and as combinations of sovereign entities, to reorganize the system in bankruptcy,” as was done after World War II. He added a second aspect, the need to revive and protect the *sovereign nation-state*, without which no economy can function. LaRouche concluded by appealing to his listeners, to think historically: “Learn to think of humanity as something very ancient in its origin, and think of humanity in what we hope will be a much longer future, than [its] antiquity. *Think in terms of history!* Look at what we’re doing today as a system, from the standpoint of historical criticism.”

Which New System?

Leading European economists contributed to the discussion, reflecting on their own experience of history, to propose aspects of the new system which must be created. Prof. Dr. Wilhelm Hankel, former chief economist of the Kreditanstalt für Wiederaufbau development bank, and former president of the Hesse State Bank, is one of a group of academics who have challenged the constitutionality of the euro. Hankel referred back to an era in which gold played a role in monetary stability, providing the reference point for fixed exchange rates among national currencies. He proposed returning to the Bretton Woods system, in which Special Drawing Rights (SDRs) would be used, as a standard reference point. In a message read to the conference, Dr. Nino Galloni, department director at the Italian Ministry of Labor, also discussed the need to find an alternative to the “dollar model,” and proposed

“decoupling the euro from the dollar and linking it to gold (a return to the ‘gold exchange standard’).” And Jacques Cheminade, candidate for the French Presidency in 2002, also introduced the idea of a “golden euro,” proposing that “the nations of continental Europe, as a measure of national emergency under the present circumstances, . . . issue a golden euro.” Cheminade pointed to “initiatives taken in Russia and Malaysia going in the same direction, with for example the issuance of the Russian golden chervonets,” adding that the “golden euro” be conceived as “a bridge towards the New Bretton Woods.”

Attendants at the seminar pursued these ideas; in answer to a question on this, Professor Hankel restressed the importance of establishing fixed rules for monetary stability, and said he preferred the SDR to gold, as the latter would tend to be advantageous to gold-producing countries. LaRouche explored the broader implications for economic cooperation, in gold. Citing Russian debates on gold, and China’s “implicit gold-reserve system,” LaRouche proposed that European nations immediately move towards discussion with these two nations, on practical steps for introducing gold in a new monetary system. He added that it should be extended to Arab countries, which have considerable gold holdings. In a gold-reserve system, of the type LaRouche has proposed, it would be possible to use SDRs to extend these rights to non-gold-producing nations.

Dr. Kurt Richebächer, former chief representative of Dresdner Bank, and publisher of the *Richebächer Letter*, drew on his long history in banking and economic policy-making, to ridicule the fraudulent methods introduced in

recent years in the United States, to “doctor” statistics, and make a catastrophic economic picture look like a “miracle of productivity and profits.” When asked in the discussion, what the thinking was of persons of his generation, like the late Jürgen Ponto or Hermann Abs, two old-school industrial bankers, Richebächer answered: “We saved, we invested, and we worked hard. That was the secret to the German economic miracle.”

Perspective From Russia

Prof. Tatyana Koryagina, economist at the Institute of Macro-Economic Research of the Russian Ministry of Economics and Trade, explored the relationship between the economic crisis and the Sept. 11 events. She posited the existence of a powerful group of interests, of Malthusian character, which had introduced an “artificial component” into the inevitable economic crisis, exploiting it with the aim of economic and political destabilization, including “changes in governments and military conflicts.”

Prof. Yuri Gromyko, from the Moscow Academy of Culture and Education, also addressed the issue of new destructive forces, for example, the so-called religious fundamentalists, characterized by the use of force, and the trend toward de-modernization. Both Russian experts identified the alter-

native strategy to defeat these forces, in the implementation of a new world economic order, based on a Eurasian infrastructure program for world recovery, in which Russia will play a leading role.

Helga Zepp-LaRouche complemented the Russian viewpoint by raising the role of Germany: “Should Germany Be Allowed To Seize The Initiative For A New Global Policy?” Combatting the notion that Germany, having been defeated in two world wars, does not have the right to do so, Zepp-LaRouche elaborated two historical cases, in which proposals for preventing and overcoming war had been developed. One was the Lautenbach plan of 1931, launched by the economist and Economics Ministry official of that name, in 1931. The project involved massive infrastructure and other projects which would have rehabilitated, reactivated, and expanded idle industrial capacities, and sparked economic recovery. Had it been implemented, Hitler never could have seized power, and the Second World War would not have occurred. Her second example, was the Peace of Westphalia, which put an end to the 1618-1648 religious wars, like those threatening to break out today. Zepp-LaRouche detailed the extraordinary conceptual breakthrough involved in the peace, based not on the idea of hatred and revenge, but on that of friendship and *agapē*. Such a conceptual revolution, she said, is required today, to reverse the drive toward war in the Middle East and other regions. On the basis of these two historical precedents, she urged Germany to exert its “right and duty” to place these items on the international agenda.

We publish here the speeches from the first conference panel. The remaining presentations will appear in a forthcoming issue.

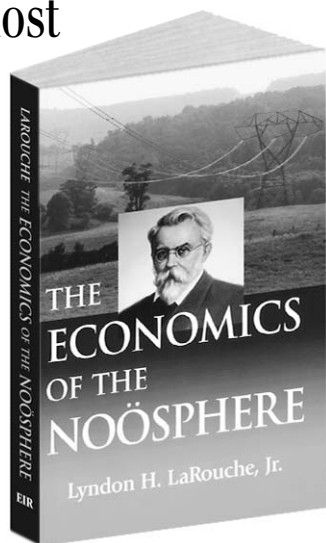
Lothar Komp

The World Is Sinking In Economic Depression

Lothar Komp is an analyst of the international economy for EIR in its Wiesbaden bureau; he has given the opening presentations on the worldwide physical-economic decline at the past two Berlin seminars.

At the moment of our last *EIR* seminar in Berlin, the U.S. Federal Reserve had cut interest rates three times. Illusions were widespread, that in the second quarter, or at latest in the third quarter, the U.S. economy would have overcome the worst and a great recovery would start.

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