

Manifesto for the Monday Demonstrations

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Today, only 15 short years after the historic Monday demonstrations of 1989 which ushered in the end of the German Democratic Republic, demonstrations are once again taking place in many cities across Germany. The immediate trigger has been a protest against extreme injustices mandated by the Hartz 4 law, a law which would plunge millions of so-called long-term unemployed into outright poverty. But Hartz 4 was merely the proverbial last straw. As the Econometric Institute in Halle once again confirmed in August, actual unemployment in Germany is at least 8.6 million, if we include entire categories of people who are not even counted in the official unemployment statistics. That's over 2 million more unemployed than in 1933.

The men and women who suddenly poured onto the streets in many cities in Germany's new eastern states—but also in the west—are doing so because they have perceived something monstrous lurking behind our red-green administration's desperate austerity policy. Exactly what could be driving the Social Democracy, with its deep historical identity as the party of social welfare, to break with its own tradition, and to carry out a destruction of Germany's social-welfare system so brutal, that its local representatives in the current and upcoming elections could never, not in a million years, shove it down the throats of their constituencies? And which is going to result in the SPD's election results plummeting into the single digits, inevitably leading to splits, and the party's total destruction. What can account for this suicidal behavior?

The answer is simple, though not immediately apparent: The SPD leadership, and also the boards of directors of the banks and insurance companies, who only discuss it openly behind closed boardroom doors, know full well that the global financial system is hopelessly bankrupt, and that all endeavors to prevent it from collapsing at least until after the U.S. elections, are a highly risky proposition. But instead of drawing the proper conclusions from this—namely, deciding to put the reorganization of the world financial system, in the tradition of Roosevelt's original Bretton Woods system, at the top of the agenda—the Schröder Administration is attempting to solve the budget deficit by imitating Brüning's austerity policies, doing so at the expense of society's most defenseless members. And despite this, Oskar Lafontaine is completely

on the wrong track with his demand that Chancellor Schröder resign, because the opposition's austerity policy is a good deal more brutal than what we have now. So, the watchword today isn't "Schröder out," but rather: "Schröder must change his policy."

And that means nothing less than this: Schröder must be made to understand that the changes which we need, are far more fundamental than simple-minded austerity measures. Because the crisis now confronting this administration is not simply one of high unemployment. That's merely a symptom of the fact that what we're dealing with, is a collapse of the entire global financial system—not just the the system in Germany, but the entire European Union system, and beyond that, the entire system which is connected with today's globalized economy.

The people who took to the streets in Monday demonstrations, first in Saxony and then in many other parts of Germany, against the horrors of Hartz 4, sensed that something much bigger is at stake than what is being admitted in public. But the behavior of politicians from all parties currently represented in the parliament, speaks volumes about the fact that none of them understands, or will admit, that we're looking at a crisis of the entire European Union system. All their attempts to trivialize the specific problems erupting to the surface with Hartz 4, simply prove the point. Regardless of whether Economics Minister Clement insists that the protests must finally stop; others maintain that the protests are legitimate, but should not occur on Mondays; while yet others vituperate that to speak about Hartz 4 during the state election campaign, is simply a campaign trick; or, they say that participation in the demonstrations can be wished away by pronouncing the right political incantations—all these arguments merely highlight a horrific lack of understanding of the reality now confronting us.

There are historical parallels between today's great economic and financial crisis, and the Great Depression of the 1930s. At that time, there were two alternatives: There was the path which led from Brüning's austerity policy, through von Papen, to Hjalmar Schacht and Hitler, which is what we took in Germany, unfortunately. In America, on the other hand, Franklin Delano Roosevelt countered Hoover, who was likewise following a Brüning-style austerity policy, with his New Deal policy, and led the United States successfully out of the Depression.

Those latter impulses existed in Germany as well: Dr.



The choice for Germans today is of the same character as it was in 1933: the policies of an Adolf Hitler (left), or a Franklin Delano Roosevelt (right).



Wilhelm Lautenbach, the Economics Ministry's chief economist, at a conference of the Friedrich List Society in 1931, proposed his Lautenbach Plan for how the unemployment problem could be conquered through state credit creation for well-defined projects serving the general welfare. And this form of credit generation would not be inflationary, because these productive investments would be creating real capital value, and would also significantly increase tax revenues.

That same impulse was also present within Germany's trade union movement, in the form of the Woytinsky-Tarnow-Baade Plan, which went so far as to propose a reconstruction program on an international scale, and which had the support of the General German Trade Union Alliance (Allgemeine Deutsche Gewerkschaftsbund). Had these plans been implemented in 1931, unemployment would have been eliminated, and the social conditions in 1993 that made Hitler's seizure of power possible, would not have existed. Similarly, the problem with Hartz 4 today, is that the Schröder Administration is repeating the Brüning Administration's mistakes, which, unless reversed, will lead to similar results—or worse.

And just like back then, out of the dynamic of a world economic crisis, the threat is now emerging of a new world war—although this time, it is the imperial policies of the United States and Great Britain in Southwest Asia, which threaten to spark the outbreak of worldwide asymmetrical warfare. And for this reason as well, Schröder should not be toppled, because he took the correct stand against German participation in the Iraq war, whereas his opposition, with a naïveté verging on lunacy, swallowed whole the lies and manipulated threat analyses being fed to them by the neo-conservatives. Indeed, there are very real grounds to fear that a future CDU-led administration would practice that same hasty and blind obedience to the war party in the United States—not to mention the fact that the Herzog Commission

has made it clear that under Frau Merkel, we could expect an even more brutal and more incompetent austerity policy than we have now.

The global financial system is currently in the final throes of a systemic collapse. It is just as unsalvageably bankrupt as the G.D.R. system was in October 1989. And just as the reasons for the collapse of the communist planned economy lay within the system itself—for example, the mechanism of primitive accumulation as described by the Soviet economist Preobrazhensky—so, too, it is with the collapse of the unfettered, neo-liberal free-market economy, and of so-called globalization.

The reasons for this collapse are not to be found in some sort of cyclical boom-and-bust scenario, but rather in the paradigm shift which has taken place within the

G-7 countries over approximately the past 40 years. Beginning in the mid-1960s, the industrialized countries of the West have undergone a systematic transformation, away from a society of producers, into one of consumers. Economic growth, based on scientific and technological progress, has been increasingly supplanted by speculation; in the place of real economics, monetarism has taken over. If we equate the real economy with a person in good health, and speculation with a cancerous growth, then we can say that in the meantime, the world economy is a patient whose body has been almost completely taken over by the cancer. The real economy has increasingly fallen victim to the speculative bubble—and that bubble must continue to grow, or else it will burst.

What developed in Germany's new states following the collapse of communism, first with the bludgeon of privatization as wielded by the Treuhand under the direction of Birgit Breuel, was the idea that the new god was: profit, profit, and more profit. This was the end-product of an ideology that took root in the Western G-7 countries beginning in the mid-1960s. The crucial turning-point away from production, and toward speculation, was President Richard Nixon's abandonment of the fixed exchange-rate system on Aug. 15, 1971. With his action, Nixon ended the old Bretton Woods system, by releasing the dollar from its gold-reserve backing, thereby opening the door for the creation of the so-called eurodollar market. The wave of globalization following the collapse of the Soviet Union was only the final step in this process of ever-expanding destruction of production, and transformation into purely money-based economics.

During the Federal Republic's post-war reconstruction period, it was a point of honor and identity for the entrepreneur of the small to medium-sized industrial firm (*Mittelstand*), to produce products of the best possible quality, and only to take



Demonstrations like this one in Leipzig during the Summer of 1989, eventually grew into the hundreds of thousands, and created the conditions for overthrowing the communist regime of East Germany.

out as much profit as was necessary for sustaining the owner's family, while investing all the rest into innovation and expansion, so that the firm would remain competitive for generations to come, while at the same time, the firm was contributing to improving the general welfare. But now that attitude has changed into its opposite.

Today, one's identity lies not in the production process, but rather in the consumption of the greatest number of products at the lowest price. Our new coin is not highly qualified, well-paying jobs in the domestic market, but rather sweatshop production in the countries of the South, whereby the fact that most of this cheap production is based on sweatshop and child-labor working conditions, is not considered to be relevant. The transformation into a shareholder-value society means the extraction of the maximum of profit—now, immediately, without any consideration given to the long haul. Anyone who still believes that he has to make a living through honest labor or investment into real production, is dismissed as old-fashioned and an idiot; stock trades, speculation in stocks, or in even riskier financial derivatives—“money makes money”—that's the “in” thing nowadays.

This neo-liberal paradigm shift, which we have only briefly sketched here, also has a cultural component. The combination of the ideology of the '60s generation, when the students of the Frankfurt School were all too ready to throw the Classical humanist tradition into the trash, rendered this generation receptive to the rock-drug-sex counterculture. The Brandt educational reforms, which boasted that they had finally succeeded in dumping the educational dead weight of

2,500 years of European cultural achievement, did the rest of the work to help ready the soil for the catastrophic findings of the Pisa Study. And along with ever-dwindling rationality, and ever-shrinking knowledge in the domain of physical science, there also grew a receptiveness for mysticism, and for ideas borrowed from the pre-Christian cult of Gaia. Oligarchical campaigns, deliberately rigged by the Club of Rome and similar institutes, over the ostensible limits to growth, and the danger of overpopulation, did their part in promoting a gradual “greening” of the *Zeitgeist*.

Why is it of life-or-death importance that we understand the effects of this paradigm shift on popular consciousness in Germany? Because that is the only way we will be able to answer the question we put to you at the outset, namely, why the SPD is committing political suicide. Because there is only one way that Chancellor Schröder can get out of his predicament: He must reach back to the SPD's social-democratic tradition; he must use the Kreditanstalt für Wiederaufbau [Reconstruction Finance Agency] as a de facto national bank, to make approximately 200 billion euros in government credit available annually; and, by absolute support for scientific and technological progress, he must see to it, that Germany's economy takes its place once again among the top producers on the world market. If the SPD fails to act decisively to reverse the slide into neo-liberalism and ecologism, then it will be doomed to continue along its course into political suicide, until it has destroyed itself entirely.

The reality is that very soon, the worldwide financial system is going to be rocked by immense shocks, which will

make the bankruptcy of the pyramid firms in Albania in 1997 seem like child's play in comparison. You might recall that these firms, which the government had encouraged the population to invest their savings into, on promises of double-digit interest earnings, suddenly announced that they were bankrupt. The banks closed their doors, and the population, who saw themselves tricked out of their life savings, began to riot, plundering grocery stores, but also arms depots; and the police and the army plundered right along with them. It was a long time before the country got back to normal, with the assistance of the Italian Army.

Just how close we are to just such an explosion, on a far, far greater scale, is indicated by the price of oil, which has been climbing, more or less continuously, for the past six months, such that today the price is twice as high as its equilibrium price should be, even from the standpoint of today's economy. The Deutsche Bank's global energy strategist Adam Sieminski has warned repeatedly, that the oil price

could easily go up to \$100 a barrel—which, unfortunately, is already on the immediate horizon, given the increasing military tensions in Southwest Asia, and the prospect of an expansion of military operations against Iran. Even an oil price of \$50 to \$60 could well be the detonator for exploding the entire world financial system.

In the pressure of the moment, during such an “Albanian” shock, everything will depend upon whether the government is ready to stand behind the motto “People first!” The government must see to it, that salaries, pensions, and social-support benefits are paid, that small personal savings accounts are protected, that hospitals and old-age homes receive their supplies, and so forth. And at that moment of acute financial collapse, it is only the government which can coordinate those functions.

Such an emergency intervention, whereby the people's needs are set above all other considerations, is the diametric opposite of the kind of emergency measures under which a

Necessity for A National Debate

Because the global economic and financial crisis will certainly come to a dramatic head in the short term, it is urgently necessary that representatives of different organizations and institutions, who are participating in the protest against Hartz 4, come to an understanding as quickly as possible about the principles of a positive alternative to the austerity policy. This could occur in the form of a round-table discussion. Here are only some of the aforementioned indispensable principles, about which clarity must be established as quickly as possible.

1. The aim of the demonstrations is not to overthrow the government, but rather, to fundamentally alter its economic policy.

2. Since the strategic context of the Hartz 4 policy is the total breakdown crisis of the global world financial system, a solution within the system of flexible exchange rates is not possible, and a return to a fixed exchange rate is indispensable.

3. Any Federal budget-driven austerity policy in the tradition of Brüning only makes the problem worse, because the real problem of creation of full, productive employment is not being addressed.

4. In the event of a dramatic collapse of the international financial system, which is to be expected, certain emergency measures must be taken by the government,

based on the principle that the people's interests must come first. Therefore adequate time must be allowed so that the necessary negotiations for a New Bretton Woods System can be conducted on an international level.

5. Based on the real world situation, everything conceivable must be undertaken to influence the U.S.A. so that it return to a system of fixed exchange rates, and to a policy in the tradition of Franklin D. Roosevelt. With our European neighbors we must adhere to the idea of a common Europe, yet of a Europe of nations which are sovereign republics.

6. In Germany we need the immediate creation of 200 billion euros in productive credit per year through the Kreditanstalt für Wiederaufbau, in order to invest in modern infrastructure, such as the development of Transrapid lines as part of the Eurasian Land-Bridge. At the same time, the new industrialization of the new Federal states, whose industrial potential after 1990-91 has been dismantled through the policy of reckless, sweeping privatization, must be a priority, so that these states can satisfy their function as bridgeheads in the development of the Eurasian Land-Bridge.

7. We must be connected with the great tradition of our Classical culture, to the music of Bach, Haydn, Mozart, Beethoven, and Schubert, to the works of Lessing, Mendelssohn, and Schiller, to the scientific tradition of Leibniz, Kästner, Gauss, Riemann, and Cantor, and to the theoretical ideas of statecraft of vom Stein, von Humboldt, and List, to name only some. Only thus can we mobilize in ourselves, and in the population, the moral greatness and sublimity of thought, which we need to overcome this crisis.



The BüSo's Leipzig demonstrations have sparked a national movement, and could grow even larger in the near future. Here, the Aug. 9 march of the LaRouche Youth under the banner, "In Saxony, Industry Must Grow."

policy in the tradition of Hjalmar Schacht is implemented, in the interests of saving the international financial system. Under a Schachtian policy, the goal is to drastically reduce the population's standard of living, in order, somehow, to maintain the nominal value of the banks' financial paper. Whereas with our opposite policy, in the interests of the people, emergency measures are merely temporary, urgent measures, to be immediately replaced by a comprehensive reconstruction program, on the model of Roosevelt's New Deal, and of the post-1945 Kreditanstalt für Wiederaufbau.

American Versus English System

In 1990, I warned in a series of leaflets and talks, that within only a few years, there would be a much more serious collapse, if the communist economic system were simply painted over with the equally bankrupt free-market economy system. I argued that it was necessary to apply the principles of physical economy, as developed by Leibniz, via America's first Treasury Secretary Alexander Hamilton, by Friedrich List, by Mathew Carey and his son Henry, Lincoln's advisor, by Count Witte, and by Lyndon LaRouche. The study of the principles of physical economy is indeed one of the most important tasks for anyone who wants to make a serious contribution to solving the economic crisis.

In his treatise on American political economy, the German national-economist Friedrich List—who, among other things, founded the Tariff Union (Zollverein), but who also built the railway line running between Leipzig and Dresden, spent many years in the United States, and in 1833, became American Consul in Leipzig—drew the fundamental distinction between the American system (physical economy) and the English system (free trade). Since the economic systems of both the United States and Great Britain today are totally on the side of globalization, and what List described as the

English system, and since this distinction is not easy to see nowadays, let us quote from List himself:

"American national-economy and English national-economy are, in keeping with the different situations of those two nations, utterly distinct from one another. The aim of English national-economy is to manufacture for the entire world, to monopolize all manufacturing—even at the expense of the lives of the [English] citizen—around the world, and especially to keep its own colonies in a state of perpetual childhood and slavery, through political-control measures, and through the superiority of English capital, English experts, and the English fleet. The aim of American national-economy, is to bring the three branches of economy into harmonious union, since without this, no national economy can attain completeness. Its goal is to meet its own needs with the aid of its own raw materials and its own industry, to populate an unsettled country, to attract foreign immigrants, foreign capital, and foreign skills, as well as to increase its power and its means of self-defense, in order to secure its independence and the nation's future growth. Its ultimate goal is to be free, independent, and powerful, and to enjoy every other freedom, power, and prosperity as it pleases.

"English national-economy seeks to *dominate*; American national-economy strives only to become *independent*. Since there is no similarity between the two systems, there is likewise no similarity between the results arising from these systems."

Even if the specific relationship between America and England during List's time is different than today, the basic distinction which List makes between the American system of physical economy, and the English system of unfettered free-market economy, is quite applicable to the current situation in the new Federal states. Because the policy of privatization at any price, as it has been practiced by the Treuhand ever since the murder of Rohwedder, has in fact resulted in these

states being kept in a state of perpetual infancy, slavery, and domination. The only intent behind this economic denuding of the eastern states, has been to dominate all the former Comecon countries, through a system of globalization—or, put another way, to incorporate them into the Anglo-American neo-liberal empire.

One of the excuses most widely bandied about to explain away the economic misery of the eastern states, was that people had no experience in how to transform a formerly communist country into a market-oriented one. But that is a barefaced lie, because in reality, the Kohl Administration utterly capitulated to geopolitical pressure from the circles of George Bush, Sr., Margaret Thatcher, and François Mitterrand, who, among other things, wanted to use an over-hasty currency union to prevent the emergence of a unified and economically powerful Germany.

There did indeed exist one idea back then, about how the east could be built up and modernized with a kind of Marshall Plan, by bringing in and upgrading whatever industrial capacity was already available in the east. That was the program developed by my husband, Lyndon LaRouche, and proposed by me, for a Paris-Berlin-Vienna Productive Triangle, which envisioned economically developing the east of Germany, and of Europe, with modern infrastructure and “development corridors.” This program was based on the principles of physical economy, otherwise known as the American System. It is the program which, after 15 years of so-called free market economy, still today represents the solution to how the east can, and must, be developed.

The Source of Social Wealth

A society’s wealth comes neither from the ownership of land and raw materials, nor from the right to buy cheap and to sell dear.

Rather, its source lies exclusively in man’s cognitive nature, which distinguishes him from all other living creatures. It is man’s capacity to repeatedly generate hypotheses concerning the laws of the physical universe—hypotheses which, if they are adequate, lead to technological progress. If these qualitative breakthroughs are then forged into new technologies and applied to the process of production, the result is an increase in the productivity of labor, and in industrial capacity, and the creation of surplus value.

This cognitive nature of man is the reason why, uniquely among all living creatures, man can improve the physical basis of his own existence, and can repeatedly increase his species’ relative potential population density. Scientific and technological progress, however, is not optional; it is necessary, because at every stage of man’s development, his resources are relatively limited, and unless those resources are defined anew by higher levels of technology, there would be an ecological and demographic collapse—as has, in fact, frequently occurred in the course of human history, as we can study this in museums displaying the remains of collapsed cultures and civilizations which failed to produce the required

qualitative progress before it was too late. It is this cognitive faculty of man, which is responsible for the fact that over the past 20,000 years, our species’ population potential has increased from approximately 10 million, to about 6 billion living souls today.

Once it is understood that this creative feature of human reason is the sole source of social wealth, then it is incumbent upon governments which are committed to the general welfare, to do everything to develop this cognitive faculty of all of their citizens, in the best possible way. That is the litmus test.

If, on the other hand, one maintains that man’s potential is limited by a combination of genetic material and educational influences from infancy until puberty, and that therefore, there’s no need to invest much in education, since everything is predetermined anyway—as Angela Merkel’s favorite birthday speaker and crooner, Wolf Singer, likes to remark*—then this is the mark of an extremely oligarchical mind-set, if not something still worse. Flashbacks to the Nazis’ eugenics policy come to mind.

If our free will is predetermined by neurological processes taking place long before the conscious part of our mind swings into action, then man would in fact be a slave to some sort of arbitrary, materialist laws—call it Calvin, or dialectical materialism, or what you will—and thus, man would be incapable of changing either himself, or his world. And for whom, we must ask, would such an idea be most useful? Why, naturally, for those who currently hold the reins of power, and who have no interest in changing anything—and I’m *not* talking here about governments.

Every human being has a potentially unlimited potential, and whether he can develop at least an approximation of that full potential, depends not least on whether, as a child or a young person, he or she was fortunate enough to have met other people who ignited their spark of creativity within—be it an elder family member, a teacher, or a friend. It also depends on whether the person has the opportunity to acquire a good education in the Humboldt sense—i.e., being able to relive the qualitative discoveries of others, in science and in art. And the more that a person can develop in this way, the better able he is to live a fulfilling life, and the more productive he can be, and the more he contributes to social wealth.

For this reason, too, Hartz 4 is based on an axiomatic fallacy. Because the whole idea that an unemployed person must accept any and every job offer, regardless of whether he is over-qualified or qualified in a different field—that alone means a lowering of his productivity, not to mention the fact that this legislation is in violation of the right to freely choose one’s profession, and the right to personal freedom. The solution is not job creation at any cost, and reduction in the employee’s productivity; rather, the solution is to create new, and ever more productive jobs.

* Barely translatable pun on Merkel’s name: *bemerken* (to remark) is altered to read: *bemerkeln*.—translator