EIR Economics

NATIONALIZATION AND EXPROPRIATION?

The World Economy Is in Free Fall

by Helga Zepp-LaRouche

This article has been translated from German.

Feb. 19—For over 28 months, the systemic crisis of the financial system has been escalating, but only now, with the dramatic declines in the worldwide auto industry—General Motors wants to lay off 47,000 people—and the threat of Opel (GM's German branch) going under, has most of the population and, amazingly enough, also the so-called "experts," finally realized that we are really in a crisis that, in its economic dimensions and potential political consequences, goes far beyond the Great Depression of the 1930s. Many trillions of dollars of liquidity have been pumped into the rotten banking system since August 2007, without doing a thing to stop the collapse of the real economy. In fact, we are in a breakdown crisis of the world economy, which will continue until Lyndon LaRouche's proposed reorganization is carried out.

After the liquidity injection of EU95 billion (!) in taxpayers' money for Hypo Real Estate turned out not to be enough, the German government decided to take the extraordinary measure of nationalizing this bank, and at the same time submitting a bill to parliament that would allow the government to expropriate the investors' shares, paying for them at their current market value—not the hyperinflated value at which they were originally purchased. But now the bank itself needs another EU20 billion.

Meanwhile, the next wave of the financial tsunami has reached other Eurozone states, whose bad loans to the eastern European countries are now exposed. Austrian banks, for example, have EU280 billion tied up in eastern Europe—at least 70% of gross domestic product! Italy's Unicredit, via its Austrian subsidiary, has about EU100 billion invested in that region, in which 80% of the financial system is in the hands of Western banks, and where some countries are threatened with state bankruptcy. But this is also just another phase of the breakdown crisis.

It is obvious, that the top elites of the financial oligarchy have decided to grab every last bit of funds available, to keep their control over the world financial system as long as possible, i.e., to roll the printing presses and print money—"quantitative relaxation," as it is so nicely called in bankers' double-speak. The British press has been talking lately about a "Zimbabweization" of the world financial system, in view of the massive reduction of interest rates by the world's central banks. Zimbabwe had, until recently, *11 million percent* inflation, until the government knocked 12 zeros off the currency—a measure that, without additional economic changes, only stops the inflationary process temporarily and superficially.

Layoffs, Scandals, Illusions

The main problem is that, with the exception of Italian Finance Minister Giulio Tremonti, all the other finance ministers and central bankers are intent on honoring the worthless, unsalable commercial paper, the so-called toxic waste, at least $1.4 trillion in total, that banks worldwide are sitting on. It is precisely this attempt to save the speculators and banks that gambled everything away, and, at the same time, to see that these banks do not pass along to industry the money they have received, that is leading to the death of industry and to the aforementioned hyperinflation.

(The German Federal government's bill, albeit only a temporary one, allowing the expropriation of investors who own this toxic waste, is an interesting development.)

Scenarios keep popping up in the international financial press, to the effect that there will only be five or six auto producers left worldwide. Not only is Opel in danger, with a total of 26,000 jobs, but many more companies are too. All the traditional trade names that have already disappeared in Germany alone, give an idea of what still lies ahead: Pfaff, Dornier, Vulkan Werft, Grundig, Phillip Holzmann, Schiesser, Rosenthal, Hertie, Märklin, just to name a few. More than 100 small and medium-sized businesses are closing every day now. "Germany, Inc." is being closed down.

The Märklin case illustrates the kind of criminal energy displayed by the so-called financial locusts. Early in 2006, this traditional firm was taken over by the Kingsbridge investment company and Goldman Sachs, which then paid fees to themselves and their hired advisors, as large as the sum for which Märklin has now gone bankrupt—namely EU10.7 million in 2006, with losses of EU13 million; and EU13.8 million in 2007, with losses of EU16 million, for a total of EU40 million since 2006. The fact is, that without the "consulting fees," the firm would still be healthy.

Add to this, the cases in which large-scale fianancial deceptions became known—such as, after the Madoff scandal, the recent case of Bush family friend, "Sir" Allan Stanford, who cheated his clients out of $8 billion in an operation in Antigua—it is not individual perpetrators, but it is the system itself, which rewards speculators, and punishes honest work and industrial entrepreneurs.

The population has long had the feeling that the so-called elites in politics and management don't give a fig about the common good, but only want to shamelessly stuff their own pockets. Like the executive board members of the seven biggest U.S. banks, who treated themselves to $140 billion (!) in bonuses. The danger is that such behavior makes social unrest likely, and this has already broken out in several countries; it will only be the beginning, if a real reorganization of the system does not take place soon.

That is exactly what could block British Prime Minister Gordon Brown, who has just published a document containing the government's plan for the G20 summit meeting on April 2 in London. This plan for a "Global Deal" reveals that Brown wants to maintain the essential features of the current system, perhaps with some cosmetic changes.

Therefore, the Secretary of State of the German Finance Ministry, Jörg Assmussen, should by no means be entrusted to go there, to represent the German side in the preparation of this summit. Assmussen was not only the intellectual father of True Sale International, the institution that first enabled the unfettered operation of hedge funds in Germany; he was also one who said, in July of last year, that the end of the crisis was near.

And it was also quite outrageous of the new Economics Minister, Karl-Theodor zu Guttenberg, to announce that he expects an upswing this Fall, since, by then, the recovery program would have taken effect. How, given the dimensions of the crisis, a half-hearted patchwork program could correct the collapse of the world economy and thereby, the collapse of German exports, he has not explained. If he had kept his mouth shut, people would not have taken him for particularly competent in economic affairs, but at least he would not have lit up his incompetence with a neon sign.

The Grand Coalition is unfortunately just looking for ways to muddle along until the next Federal elections. But the voters cannot help but notice, that the government parties as a group neither saw the crisis coming, nor did they evaluate it correctly at any point. The most sensible thing the representatives of these parties could do, would be to take a good look at the analyses and programs of the BüSo [Civil Rights Solidarity party, headed by Helga Zepp-LaRouche—ed.] from the past 20 years. We have warned for a long time about the systemic crisis, and, with the New Bretton Woods system and the construction of the Eurasian Land-Bridge, we have a program for overcoming it.