

Financial Crisis Will Crush Ruling Parties

by Helga Zepp-LaRouche

Mrs. Zepp-LaRouche was the Chancellor candidate of the Civil Rights Movement Solidarity (BüSo) in Germany's Sept. 27 elections. This leaflet, titled "The BüSo Will Be Vindicated: World Financial System Is About To Disintegrate!" was translated from German.

Yes, the CDU/CSU¹ and FDP did win the parliamentary elections, but it will soon turn out to be a Pyrrhic victory. By the next elections, these parties will be in the same shape as the SPD is now—even after the elections, it intends to hasten its self-degradation into an ersatz² green party. Before October is out, the full impact of the economic and financial crisis is going to punish the ruling parties for their lying election promises. Unless the current world financial system is put through bankruptcy, and replaced by a credit system, we are threatened with an explosion of hyperinflation, and a chain-reaction collapse, which will spare no nation on this planet.

The G20 summit in Pittsburgh would have been laughable, were it not for its tragic consequences. Nothing substantial was taken up, beyond a few cosmetic

1. The Christian Democratic Union and the Christian Social Union will now be allied with the ultra-liberal Free Democratic Party. The Social Democratic Party (SPD), which was formerly in a "Grand Coalition" government, is now out, having suffered huge losses—ed.

2. The German term is *Muckefuck*, an ersatz coffee made of chicory or barley—ed.

corrections. Not a single one of the real causes of this systemic crisis was even brought up. On the contrary: The casino economy is proceeding unhindered, and, in the United States alone, the amount of derivatives contracts negotiated outside of the official exchanges stood at \$203 trillion in July! In their final communiqué, the heads of state indulged in self-adulation that their bail-outs and stimulus packages have functioned well, and must, therefore, be continued. And the International Monetary Fund's chief economist, Olivier Blanchard, left no doubt that the cost of these packages will have to be passed on to the population, by cuts in health care, pensions, and assistance to low-income families.

But this touted success in Pittsburgh is a Potemkin village. In reality, the Federal Reserve is doing exactly what Germany's Reichsbank did in 1923: It is printing money. According to its own report, this year alone, the central bank has already issued \$11.8 trillion in liquidity injections and bank guarantees—although the real figure is probably between \$15 trillion and \$18 trillion. The Fed has bought up half of the paper that the Treasury has issued this year, which is more than Japan and China, combined, own. The Fed's monetary aggregates have grown by 21%—but the banks are not passing this money on to industry. In other words, the money economy is being saved, while the real economy is being sacrificed, and a hyperinflationary explosion is an immediate, short-term threat.

So, the Fed is printing these gigantic quantities of money, but not saying to whom, or under what conditionalities, it is being distributed. To contest this, not only has the Bloomberg news agency filed a civil suit to force disclosure, but Rep. Ron Paul (R-Texas), backed by 296 other Congressmen, has proposed legislation which would require public oversight of the Fed—something that Wall Street and its agents in Congress will do everything to prevent. The new fiscal year began on Oct. 1, at which point, all the books had to be opened, and the bankruptcy of the United States, where 49 out of 50 states are insolvent, can no longer be covered up.

Just prior to participating in the Pittsburgh summit, Chancellor Angela Merkel made a noteworthy statement at an election rally in Kassel. She accused the banks of blackmailing the government over the economic crisis. (Does that mean that government policy is being blackmailed? Isn't blackmail a crime? The public has a right to know something more concrete about this!) Merkel said that at the world financial summit, she would call for rules to prevent this from occurring

in the future. Such promises, of course, sound great during an election campaign.

But this blackmail is not merely on the level of individual banks which have gambled their money away, and which now expect that taxpayers will cover the private speculators' losses. Rather, the blackmail is on the level of the "independent" private central banking system itself. The central bankers of our globalized, monetarist system are simply telling our heads of state: "There is no alternative to pumping money into the system; the economy has to snap back sometime, at which point the extra liquidity can simply be taken back out of the system, so that we need not worry about hyperinflation." But, precisely therein lies the fraud, because in fact, the real economy is in free-fall, and the liquidity that is being pumped into the system will be just as impossible to take back out, as it was in Weimar Germany, from Spring to Autumn of 1923.

In Germany, 54.5% of all large corporations and 43.2% of all small firms are suffering a credit crunch; the Bundesbank has even warned about an impending general credit crunch. And now—after the elections—the horror stories are coming out: People working reduced hours are losing their jobs entirely, corporate bankruptcies are on the rise, and municipalities have gaping holes in their tax revenues. "The Federal government will have to commit more atrocities than ever, if it wants to lower taxes, as it promised before the elections," admitted Wolfgang Franz, chief of Germany's "Economic Wise Men" (How helpful to voters, that he said this *after* the election!), and he predicted harsh cuts in Germany's social support system.

Contrary to the propaganda, China is not the engine which will pull Germany's economy out of the ditch; massive setbacks are being reported there as well. China will, therefore, be importing less from Germany, so that battles for shrinking markets here will grow increasingly bitter. Another problem is the immense accumulation of state indebtedness, totalling over \$35 trillion in the world's ten richest nations, meaning \$50,000 of debt *per capita*, according to *The Economist* magazine. And, even though nations have piled up such enormous debts, up to now, the banks have written off only half of their financial toxic waste.

We Need a Broad Alliance of All Affected Groups

The election results are only explicable from within the geometry of the aforesaid blackmail being practiced

by the central banks, in their capacity as enforcers of monetarist globalization. Because, how else could the FDP, of all parties—the clearest representative of the neoliberal paradigm which is responsible for the greatest financial crisis in world history, the paradigm which has just failed—could have made such strong electoral gains? Are the FDP voters really so naive as to believe that their financial paper in the banks will somehow miraculously cease to be toxic waste? And if taxes are to be lowered—which is highly unlikely, given the current situation—this could only be financed through brutal austerity. But very soon, all these notions will be so much wastepaper, because the entire system is about to disintegrate.

It is precisely this dynamic of collapse that is causing various interest groups to take to the streets. Milk farmers are about to become extinct, and in protest they have spilled millions of liters of milk onto their fields; automakers and suppliers are terrified by factory closures, which will turn cities into ghost towns. Patients and physicians in private practice are seeing serious threats to adequate locally based care, leading to the danger that the lifespans of low-income people will be shortened. And so forth, down the long list of those affected.

If these groups confine themselves to their own particular causes, they are going to protest and demonstrate—and then at some point, they will become demoralized and give up, because there is no solution for single issues—as fundamentally urgent as they might be—in the midst of a general collapse. *Their only hope, is, if, in addition to their own cause, they put onto the agenda, the creation of a just world economic order, and replacement of the bankrupt monetary system with a credit system.*

During the election campaign, the BüSo, and I personally, in my campaign for Chancellor, sought to bring the historic dimensions of this collapse crisis, and the existing solutions, into public discussion. The media dictatorship in this country did everything to block voters' access to our analyses and our proposed solutions. For this reason, in live webcast forums, and in numerous articles and leaflets, I pointed out what is in store for us. And now citizens can see for themselves who was telling the truth, and who was proposing solutions.

So, now, I call upon all citizens, affected groups, and people who take Germany's future to heart, to join with the BüSo, and to fight for a new world financial and economic system!