

# The Tsunami Is Coming: We Need FDR's Policies!

by Helga Zepp-LaRouche

*Mrs. LaRouche is the chairwoman of the Civil Rights Movement Solidarity (BüSo) in Germany. She issued this leaflet on Nov. 21; it has been translated from German, and subheads added.*

Most people sense that the financial crisis that has now been escalating for 15 months, and the “sudden” collapse of the real economy, are only the beginning. These were just the first waves of the storm, but the really powerful tsunami wave is coming toward us. The catastrophe could still be avoided, but that would require responsible figures in governments and financial institutions to admit their mistakes and accept competent help.

But here we have a problem: Those who now should be taking decisive measures to defend the common good are still not ready to face up to the origins of the crisis. The communiqué of the G-20 summit in Washington on Nov. 15 admitted that “risks in the financial markets were underestimated.” The latest annual advisory of Germany’s Council of Economic Advisors, the so-called Five Wise Men, speaks in nebulous terms of “a darkening of the entire economy” as the main reason for the crisis. “The chain of failure includes many,” declared President Horst Köhler at a conference of top bankers in Frankfurt—and one can only agree with him.

But Köhler’s perhaps well-intentioned, but completely ineffective, appeal to the bankers who made “a lot of money” in recent years, to set up a “Hardship-

Case Fund,” is hardly a strategy to overcome the crisis, and the answer from those so addressed was just a tired smile. It is clear from all these statements, that the government, as well as the so-called experts, are still not willing or able to take the necessary steps to reorganize the financial system.

## **Derivatives: The Main Problem**

In Europe, it is Italian Finance Minister Giulio Tremonti who, as a government representative, has had the courage to call a spade a spade, when he compared the financial crisis to a video game, in which every time you kill one monster, another pops up. And when you kill all of them, along comes the super-monster, which is derivatives outstanding.

This is exactly where the body is buried! Now panic is setting in, as investors in November have been massively withdrawing their deposits from hedge funds and financial institutions, in turn, forcing these to sell whatever assets they can. This generates a double feedback-loop: Since the depression is coming to a head, asset prices are falling—most of them having been bought on credit in the first place—which further stresses the balance sheets of banks and hedge funds, which therefore curtail their lending even further. These various intensifying phases of “deleveraging” of so-called structured paper are the main problem.

The volume of derivative contracts outstanding was said to be, according to the Bank for International Set-



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*Opel, the German subsidiary of GM, is seeking a government loan guarantee of 1.8 billion euros, in the event of a “worst case scenario.” Here, the factory in Rüsselsheim.*

lements, \$675 trillion at the end of 2007; the French magazine *Marianne* recently gave the figure as \$1.4 quadrillion, but it could be much more. If an attempt is now made to honor what these bankers themselves call “toxic waste,” then, on the one hand, this leads to hyperinflation, since more and more liquidity is pumped in to try to back up the virtual values; but at the same time, it brings on deflation, since the collapse of the real economy leads to falling prices.

This is the reason for the breathtaking speed of collapse of the real economy worldwide—the auto sector, the steel industry, petrochemicals, construction, shipping, etc., etc. And it is a global phenomenon: The U.S.A. is plunging into depression; China’s American export market is collapsing; the Chinese economy is falling apart; China is no longer buying textile machinery in Germany; shipping is collapsing, since in the four or five weeks that it takes a ship to go from Europe to Asia, conditions have dramatically changed, so that the letters of credit are no longer accepted, etc., etc.: a downward spiral to . . . ! Until an orderly bankruptcy reorganization is carried out.

## The Roosevelt Solution

Fortunately, there is an historical precedent for how the problem can be solved: We need a new financial architecture, in the tradition of Franklin D. Roosevelt’s Bretton Woods System: a New Bretton Woods. That was the idea that motivated French President Nicolas Sarkozy to propose the summit meeting of the G-20 countries, and this is the policy that is being proposed by Tremonti on a daily basis. This is what Lyndon LaRouche and I have proposed for a long time—since the

beginning of the 1990s, to be precise. We must win the Berlin government over to supporting this policy.

We need a real New Bretton Woods conference, at which a new financial system is decided upon, just as Roosevelt intended in 1944; that is, replacing colonialism with a new, just economic and financial order.

Second, we need a worldwide New Deal, such as Roosevelt implemented in the U.S.A. during the 1930s, to end the Depression through state credit creation.

Concretely, for Germany, this means that after (!) reorganization by means of a New Bretton Woods system, there must be an investment program of about Eu200 billion for the creation of full, productive employment, as the BüSo has demanded for years. We need to build the Eurasian Land-Bridge as the centerpiece for reconstruction of the world economy.

From a technical standpoint, such a reorganization is absolutely no problem. The problem lies elsewhere. For the last four decades, the economy and morality have been completely separated from one another, and a unrestrained dog-eat-dog society and personal profiteering have taken control. On the one side, you have totally unnecessary luxuries, such as the recent dedication of an artificially created luxury island in Dubai, which was apparently planned as a refuge for the super-rich before the outbreak of a world financial crisis; at the opening festivities, the fireworks alone cost \$20 million and 1.7 tons of lobster was consumed; on the other side, billions of people are threatened with starvation and brutal poverty.

Pope John Paul II, in his encyclical *Centesimus annus* (1991), called it an “abuse in the sight of God and humanity, if someone directs his capital against the people and their work,” and this has happened, without a doubt, under the now-shattered system of globalization. We need a new paradigm, in which the economy and morality are brought into harmony, and man is placed at the center of politics and economics.

Do you really want those who neither foresaw the crisis, nor are ready now to come to terms with its real origins, to be left to decide what should happen now?

I propose that you help us, the BüSo, to carry out the necessary mobilization of the population, so that we can implement a New Bretton Woods System and a new New Deal!