

Economic Collapse Shows, Only a New Bretton Woods Will Work

by Lothar Komp

On March 5, Lyndon LaRouche addressed an EIR seminar in Berlin, outlining a policy for worldwide economic recovery. LaRouche's speech, along with those of several other speakers, was published in last week's issue. We publish here two additional speeches, by EIR's Lothar Komp, and Prof. William Hankel, former Chief Economist of Germany's Kreditanstalt für Wiederaufbau (Reconstruction Credit Agency).

The American high-tech stock market, the Nasdaq, finished this week down for the fifth week in a row. Such a continuous crash of the Nasdaq, without a pause, has never yet occurred. And this follows the year 2000, the worst ever in the 31-year history of the Nasdaq. The high-tech markets in the rest of the world, such as the "New Market" in Germany, do not look any better.

Closely related to the crash of technology stocks, is the sudden collapse of the American economy, which yesterday was still being celebrated as performing "New Economy" miracles, but today is making headlines only about mass layoffs and collapsing profits.

At the same time, after one or two years of apparent calm, new financial and economic crises are erupting in the developing countries. Turkey might easily be followed by Argentina tomorrow. And when it gets to the point that the American economy will no longer be capable of absorbing, in almost unlimited amounts, imports from Asia, Ibero-America, and other parts of the world, then countries such as Mexico, South Korea, and even China, will soon come face to face with their own economic catastrophes. These crises can no longer be managed today, as they were during 1995-99, by international crisis management, because this time the center of the system—that is, the American economy and the American financial market—is itself perched on the edge of the abyss.

Finally, what has emerged from the shadows in the past months, is that the turning away from successful economic principles of the first two postwar decades, has brought about a comprehensive erosion of the economic fundamentals in all the great industrial states. For example, globalization and deregulation have brought in their wake an absolute decay of physical infrastructure in the English-speaking world, which is also beginning to spread like wildfire in Germany. Routine electricity blackouts—until now unheard-of except in India

or Africa—in the rich state of California, as well as the endless series of accidents on the privatized British railways, could be mentioned here, but also the agricultural disasters in today's news, were brought about entirely by globalization and deregulation.

The thing to be clear about here, is that we are not dealing with isolated events, nor with cyclical economic crises, nor transient "corrections" in the markets; but with a systemic crisis: a crisis of the world economic and financial system taken as a whole, which will not respond to attempts to fix it a little here and there, but which must become more and more acute, until a radical intervention is made, which will throw overboard all the fundamental axioms that have led to the ruin of the economy in recent years.

Today we will discuss the causes of the systemic crisis, and the way out. The first thing we must do, is to outline more precisely the situation that we find ourselves in.

I begin with two symptoms of the global systemic crisis, which have made quite a dramatic entrance, visible to everyone, over the last couple of months: the stock market crash, and the crash of the U.S. economy; and then we will turn to something less in the public eye, but a domain from which much more dangerous blows are poised to strike the world economy and financial system, namely, the greatest speculative and credit bubble of all time.

The Market Crash

There is hardly a technology stock in New York, Frankfurt, or Tokyo, which today is still worth one-third of what it was barely 12 months ago. But there is no respite: The collapse of the stock markets has accelerated in the past weeks. For the U.S. technology stock exchange, the Nasdaq, February 2001, with a loss of 22.4%, was the third-worst month in its 30-year history, only exceeded by October 1987 and November 2000. Altogether, since March 10, 2000, the Nasdaq Index has lost 59% of its value, and finds itself at a two-year low.

In Germany, millions of small investors are mourning for their good old savings accounts, which always gave a yearly return of 2%, compared to what happened to Deutsche Telekom stock, which lost 75% in the last 12 months. Still worse, stocks in the "New Market" lost about 80% on average over the same time period.

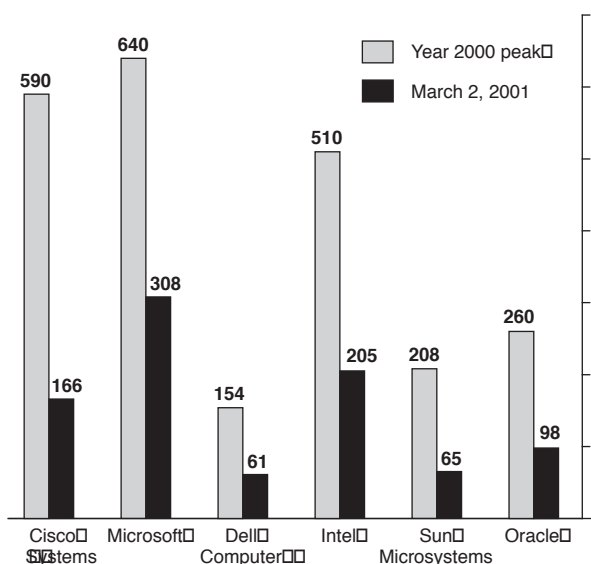
Today, it has come so far that the Bonn State Prosecutor is investigating Deutsche Telekom for falsely manipulating its real estate assets. On top of that, a group of disillusioned investors have made their own complaint to the Attorney General against Telekom chief Ron Sommer, for using "false data" and "wrong information . . . to mislead them," causing them to lose most of the money they had invested.

Even the super-optimists can no longer find any reason to believe that the collapse will end in the foreseeable future. Finally, not a day goes by, without new announcements of mass layoffs and the collapse of profits, from the makers of computers, chips, software, or from the telecom sector. Even

FIGURE 1 □

Market Capitalization of U.S. Technology Giants □

(Billions \$)



Source: nasdaq.com.

the two substantial lowerings of interest rates by the great magician, Federal Reserve Board Chairman Alan Greenspan, except for a few days in January when they gave the illusion of a recovery, have gone up in smoke, without any lasting effect. Now Wall Street is begging for another, doubled lowering of interest rates, that is, of 50 basis points, such as on Jan. 3 and Jan. 30, and this, if you please, right away, and let's not wait for the next sitting of the Federal Open Market Committee on March 20.

But neither Greenspan's lowering of interest rates, nor the announcement of gigantic tax cuts by the President of the United States, can cheer the market up from its mood of doom and gloom. Since March 10, 2000, the market value of the Nasdaq firms dropped from \$6.7 billion to \$3.3 billion. The market value of the six largest Nasdaq titles have melted down, from their maximum last year of \$2.362 trillion, to \$903 billion. Microsoft was at its highest already in January 2000; Cisco and Dell in March; and Intel, Sun, and Oracle not until August 2000 (Figure 1). Since that time, these six firms alone have had \$1.459 trillion in paper values annihilated.

The U.S. Economic Collapse

Layoffs

Right on cue with the end of the U.S. Presidential election campaign, the myth of the "New Economy" in the United States collapsed. All the phrases such as "unparalleled pros-

TABLE 1

Announcement of Mass Layoffs in the U.S., January and February, 2001

DaimlerChrysler (automobile)	26,000
Motorola (mobile phones, chips)	6,500
J.C. Penney (retail)	5,600
Lucent Technologies (telecom)	16,000
AOL Time Warner (media)	2,400
WorldCom (telecom)	11,500
Hewlett-Packard (printers)	1,700
Xerox (copy machines)	4,000
General Electric (various products)	50,000
Amazon.com (internet)	1,300
ShopKo Stores (retail)	2,500
Fed. Dep. Stores (retail)	2,600
Goodyear Tire & Rubber (wheels)	7,200
Nortel (telecom)	10,000
Dell (computer)	1,700
Verizon (computer)	10,000
Gateway (computer)	3,000
Sara Lee (various products)	7,000
3Com (telecom)	1,200
SCI Systems (electronics)	3,000
JDS Uniphase (telecom)	3,000

perity" and the continued "robust growth," as well as gigantic productivity increases, proved themselves suddenly to be no more than hocus pocus. The ugly truth about the U.S. economy could no longer be camouflaged.

First in the barrel was the auto industry. Since October, sales of U.S. automakers declined, and their inventories, despite massive rebates, have increased since the Summer. In December, Ford's sales figures declined 14.6%; Chrysler, 14.8%; and General Motors, 18.1%. Sales of commercial vehicles to U.S. businesses declined by no less than 37% in the fourth quarter. Already before Christmas, the leading automakers announced significant layoffs and decreases in production, including the idling of entire plants.

Then, the retail sector announced unusually low sales during the Christmas season. The retail chain Montgomery Ward admitted its inability to meet payment obligations, which meant the loss of around 32,000 jobs, and the closing of 258 outlets. The retail chain Bradlees announced bankruptcy. For the retail sector as a whole, the fourth quarter of 2000 was the worst since 1990.

And then, suddenly, it went from bad to worse (Table 1).

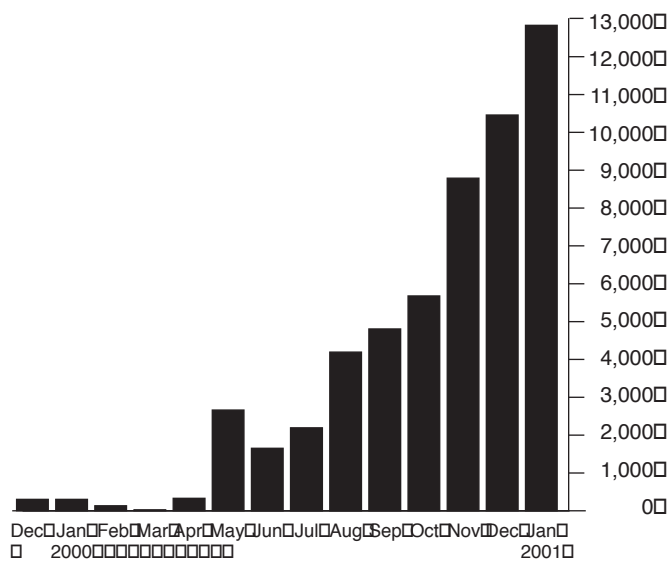
General Electric laid off at least 50,000, and perhaps, according to unconfirmed reports, even 75,000.

It is probable with auto sales declining even further, that General Motors, which in December announced a reduction of 15,000 jobs, will have to lay off considerably more.

The number of layoffs in the U.S. Internet sector in the second half of 2000, rose 600% compared to the first half. In

FIGURE 2

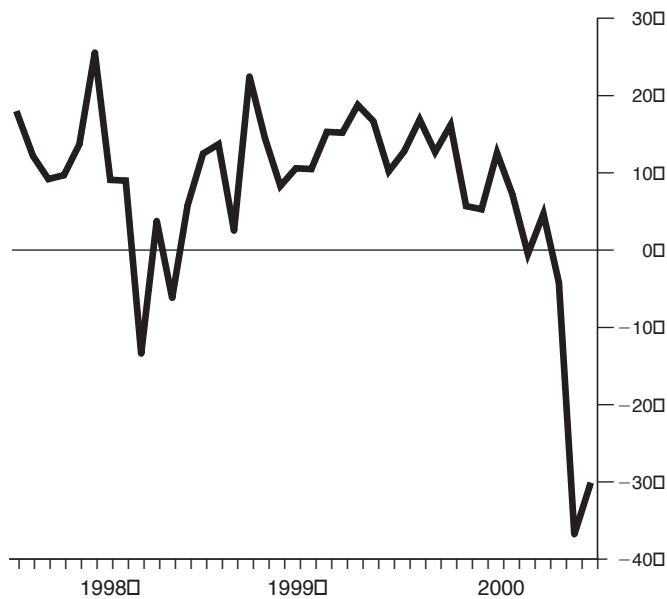
Internet Sector Layoffs in U.S., December 1999–January 2001



Source: Challenger, Gray & Christmas.

FIGURE 3

U.S. Business Climate Index



Source: Philadelphia Federal Reserve.

December, layoffs, compared to the previous month, rose 19%. In the year 2000 as a whole, 210 Internet firms, with a total of 15,000 employees, went under (**Figure 2**).

Wall Street also, and here especially investment banking, is not safe from job losses. At Merrill Lynch, 60 stock and investment experts were laid off; Bank of America Securities laid off 100 investment bankers; Crédit Suisse First Boston, 220; and Prudential Securities, 160. Bear Stearns fired 500 investment bankers in March.

In December 2000 alone, the United States lost 133,713 jobs, the highest number for one month in eight years. In January 2001, this rose to 142,208. The hardest hit were the manufacturing sector, which lost about 65,000 jobs, about 35,000 of those in auto.

The only sector, it seems, which is predicting a rosy future, is law firms that specialize in bankruptcy proceedings.

Economic Indicators

The latest economic data from the United States tell the story all too clearly. All the important indicators are down further than they have been for years.

- The growth of the Gross National Product (GNP) in the fourth quarter of 2000, had to be corrected from 1.4% to 1.1%, the lowest value in 5.5 years. Automobile production shrank 24.4%, after shrinking 16.9% in the third quarter of 2000.

The GNP figures could have been much worse yet, if it had not been for a strong increase of government expenditures, and in particular in the defense sector. Especially alarming was the decline in capital goods investment by U.S. firms,

about 3.5% in the fourth quarter, the sharpest decline in ten years.

- Sales of the U.S. retail sector dropped at an annualized rate of 2% in the fourth quarter of 2000, the strongest monthly decline since the fourth quarter of 1990.

But in January and February, things really got going:

- In January, the index for American industrial activity of the National Association of Purchasing Managers (NAPM) fell to the lowest level since March 1991. And that was the sixth consecutive monthly decline. In February, there was only a very slight improvement.

- In January, the NAPM index for industrial orders sank to the lowest level since November 1981.

- In February, the NAPM commercial index fell for the fifth month in a row, which had not happened since April-August 1973.

- In January, U.S. industrial production fell for the fourth straight month. Placement of new orders for U.S. industry, fell to the lowest value in 19 months.

- In January, the Business Climate Index of the Federal Reserve of Philadelphia fell to the lowest level since December 1990 (**Figure 3**).

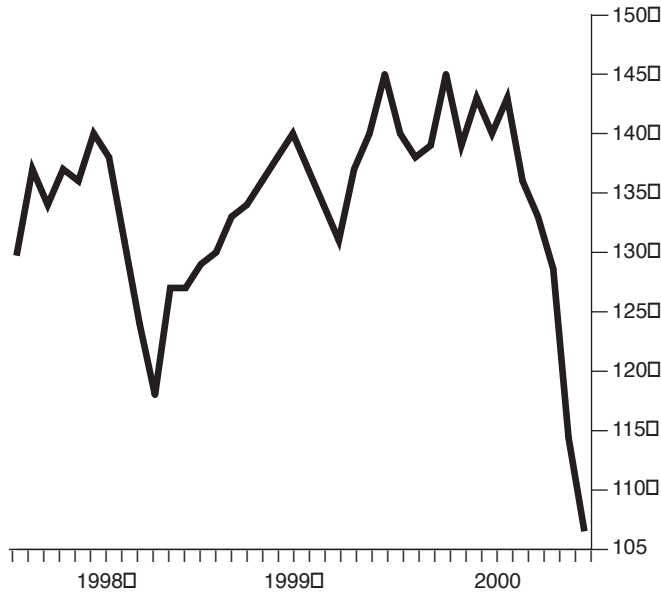
- In January, the Greater Chicago Industrial Activity Index, fell to the lowest level since November 1982.

- In January, the Consumer Confidence Index of the Conference Board slid to the lowest level since December 1996, and in comparison to the previous month, suffered its most abrupt fall since October 1990 (**Figure 4**).

- In February, the Consumer Climate Index of the Uni-

FIGURE 4□

U.S. Consumer Confidence Index□



Source: Conference Board.

versity of Michigan, fell to the lowest level since November 1993.

Gloomy Assessment by the IT Managers

On Sunday, Feb. 18, the Chairman of the Board of Nortel Networks, John Roth, gave a presentation in the Canadian Club in Toronto, after Nortel, the leading producer of fiber-optics in the world, had shocked the markets of the entire world on the Friday before, with its admission of their fourth-quarter results. Roth, who was accompanied by numerous bodyguards, said: “This is the most abrupt downturn that the U.S. has ever experienced. It’s becoming very clear that all our customers are starting to adjust their budgets to take account of the realities of the very sharp and severe downturn that the U.S. is experiencing.”

On Feb. 17, John Chambers, the CEO of the biggest producer of Internet services, Cisco, said in an interview with the Swedish economic newspaper *Finanstidningen*: “It makes no difference what the Federal Reserve or the latest statistics say. What we see now is absolutely not a soft landing. Ask anyone in the American manufacturing industry and he will say that we are in a recession. . . . If the situation does not change before the half-year point, there is a risk of a domino effect whereby the rest of the world will be imminently affected.”

And, at the World Congress for Mobile Phone Technology in Cannes, France, on Feb. 23—as if he could not find a better place to do this—the vice president of chip producer Intel, Hans Geyer, spoke about the impending bankruptcy of the telecom sector. With regard to the three-phase expendi-

tures of billions by telecom firms just to buy new frequency licenses, Geyer said: “We are facing a situation where the industry is headed for bankruptcy, even before the first UMTS call will have been made.”

Already on Feb. 1, the chief of Apple Computer, Steve Jobs, speaking to a group of financial analysts at Apple headquarters in Cupertino, California, said laconically: “I believe the economy is going through a nuclear meltdown.”

Inflation

The situation is even worse than it looks, because inflation in the United States can no longer be swept under the carpet by using the most refined statistical tricks. On Feb. 16, the U.S. Labor Department published the Producers Price Index (PPI) for January, which had risen 1.1% over the previous month, which would correspond to an annual inflation rate of 13%, the which would be the highest inflation rate for more than a decade.

At the center of this disastrous inflation problem, lies energy costs, which have now been passed on to the general price levels in the United States: The price of natural gas for a private household rose 6.5% in December and another 11.3% in January, while the price for business and industry rose 21.1%. Electrical utilities using natural gas, in January had to pay 64.4% more for natural gas, on top of a 24.6% increase that had hit them in December.

In California, the wholesale prices for electricity were 1,000% higher than last Spring.

But also, the price of raw materials, including cereals, cattle, coal, and metals, rose in January in the United States 13.9%, after an 8.5% increase in December.

The biggest factor in the increase in the prices of consumer goods, was again the energy sector, which showed the highest rate of inflation since February 1980.

The parallel with price inflation is also shown by the M3 money supply in the United States (Figure 5). In the second half of the 1990s, M3 increased by about \$500 billion, clearly more rapidly than in the preceding years.

Consequences for the Rest of the World

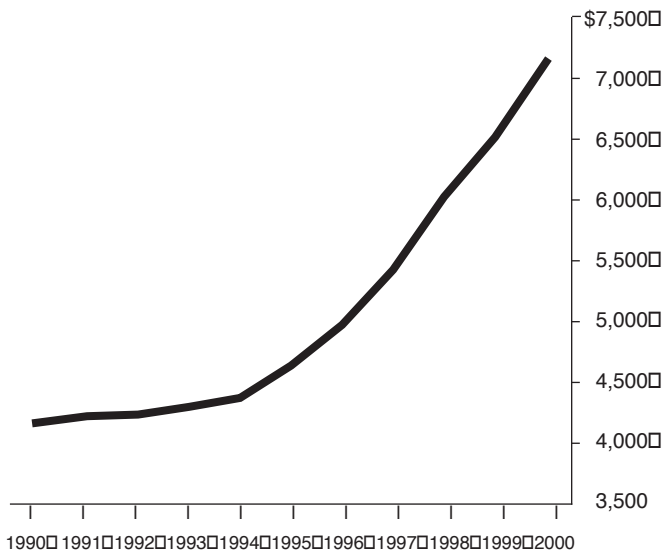
In the past years, the U.S. economy has managed to absorb the products of the rest of the world’s economies, thanks, on the one hand, to the credit-financed consumer boom of the American household, but also, on the other hand, because the American economy was increasingly less capable of itself producing the relevant industrial products. In the process, the U.S. economy became the “importer of last resort” for the entire world economy.

The U.S. Commerce Department announced on Feb. 21 that for the year 2000, the trade deficit in goods and services had reached a record high of \$369.9 billion. If you look at only goods, without services, then the growth of the deficit in 2000, was \$449.5 billion (Figure 6). This still underestimates the volume of goods imported, because it was measured using the overvalued dollar. In the year 2000, the deficit was 2.6

FIGURE 5

U.S. Money Supply M3

(Billions \$)

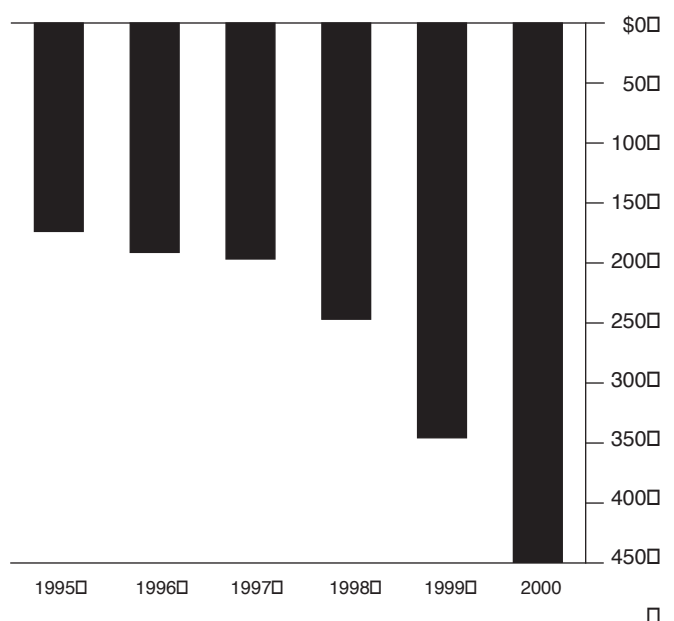


Source: Federal Reserve.

FIGURE 6

U.S. Foreign Trade Deficit

Physical Goods Only (in Billions \$)



Source: Commerce Department.

times as great as in 1995.

In order to pay for this extreme imbalance of imports over exports, the U.S. economy had to simultaneously become a vacuum cleaner for all the investment capital available in the world, so that in the end, 80% of the entire world's service deficit, belonged to the United States.

Well, someone might argue, we do not have to be overly concerned about the import dependence of the United States for "low-technology" goods—consumer goods such as textiles, household goods, home electronics, or raw materials such as steel or building materials. Yet, in the key technological industries, things do not look any better: The U.S. machine-tool industry, which has led the world since the 1970s, is being taken down radically. That, of course, has not been without its deleterious effect on the technological capacity and the international competitiveness of the other U.S. high-technology branches, such as airplane and aerospace production. The ration of imports increased dramatically in all important sectors of industry.

In the 1990s, in combination with the ideological utopianism of a so-called "service" or "information society," this trend has accelerated. The U.S. trade deficit exploded, along with the U.S. services deficit and the foreign debt.

As a mirror of this, in the last few years, above all in Asia and Ibero-America, large numbers of "national economies" have been transformed to become almost completely dependent on exporting goods to the United States. Even Europe's economy has become heavily dependent upon U.S. credit-financed imports. Most extreme is the dependence of South-

east Asia upon exports to the United States, where it was thought, after the financial crisis of 1997-99, that only with dollars obtained in this way, might they be able to extract their neck from the financial noose. Countries such as Japan, Taiwan, the Philippines, Malaysia, and Thailand, have, for some time already, sent 25-40% of their exports to the United States. In the case of China, 41.9% of its total export volume is to the United States. If you leave Mexico out, 36.5% of all of Ibero-America's exports go to the United States. Counting Mexico, it is 56.6%. Mexico's dependence upon the U.S. export market is more than 80%.

Thus, it is of the utmost importance that the United States has now reached the limit of its capacity to absorb foreign goods, and the United States is no longer able to play the role of "importer of last resort" for the world economy.

The trade deficit in goods declined from September to December 2000 by 3%; this occurred at the same time that imports of consumer goods declined by 3% from November to December 2000, and auto imports by 8.5%! Since this process is accelerating, and the United States is losing its status as "importer of last resort," dramatic effects now loom over the rest of the world economy. If the United States ceases to function as "vacuum cleaner" for the export goods from the rest of the world, then this has to result in violent shocks and collapse of the real economies, of the export-dependent economies of Asia, Ibero-America, and also Europe.

Mexico will be the hardest hit of U.S. trade partners. In 1999, according to official government figures, 90% of Mexi-

can exports went to the United States.

While many countries in Ibero-America, Asia, and Eastern Europe are still suffering from the series of financial crises between 1995 and 1999, the crash of the U.S. economy now threatens to unleash a renewed outbreak of financial and economic chain reactions.

In Turkey, it has already begun. Only three months after the last International Monetary Fund rescue package, the situation is worse than before. The banking system is threatened with collapse. And the government is asking the international financial institutions for an immediate injection of liquidity, amounting to \$25 billion, while at least \$115 billion in foreign credits are at risk.

The next candidate could be Argentina.

The crash-landing of the U.S. economy and the worldwide financial turbulence will also hit Europe hard. The trade deficit of the 15 European Union member states has already increased more than 400% in the year 2000, to 82 billion euros, up from 19 billion euros in the Spring. And that, in spite of exports still at record high levels. But if European exports to the United States collapse, and the imports continue to increase because of higher energy prices, then the EU trade deficit will continue its inexorable increase.

Japan, Worse than Before

And just when it seemed things could not get any worse, something else happened, a financial-economic mega-disaster, courtesy of Japan, which might challenge the United States for first place in the horror headlines of the financial media. What has become evident, is that even the gigantic efforts in tax policies and the like, and the most extreme form of low-interest-rate policies, have not been able, even over the course of ten years, to bring an end to the terror.

Even though since the speculative bubble burst in 1990, the Japanese government has invested about 56 trillion yen (\$457 billion) in bailing out the large private banks, not to mention a good dozen more billions on special programs for reviving the real economy (Figure 7); and even though, on top of that, the Central Bank initiated a zero-interest-rate policy, the situation in the second-largest world economic power is more explosive than before:

- In January, industrial production declined by 3.9%, and while all those who had still believed in the recovery were keeping their mouths shut.

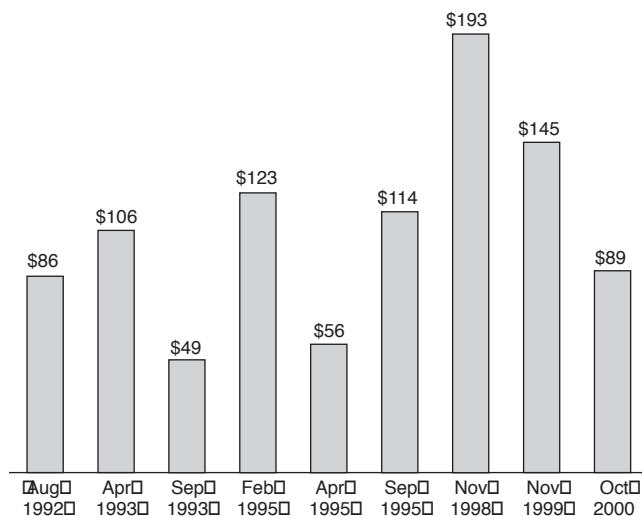
- In the middle of February, the U.S. ratings agency Standard & Poors downgraded the value of Japanese debt, while over the next three years, Japan has to sell \$830 billion worth of new state bonds, in order to pay debt service on existing debts. In the process, Japanese state debt will rise to 165% of the GNP, which is by far the highest proportion of any of the industrial nations.

- In January, for the first time in three years, Japan showed a trade deficit, while especially its exports to the United States had shrunk. In comparison with the previous month, exports to the United States declined by 12%, and

FIGURE 7

Economic Stimulation Programs in Japan since 1990 Crash

(Billions \$)



those to the European Union also by 8.2%.

- Dramatic, is the word to describe the Tokyo stock market. On March 1, the Nikkei fell to its lowest level since Nov. 20, 1985, and this despite the fact that the Japanese central bank, the day before, had yielded to market pressures and lowered the interest rate for unsecured overnight loans, to an annual rate of 0.15% (from 0.25%). The day after that, the Nikkei fell another 420 points, and ended the day at the lowest level since July 31, 1985. The collapse of the stock market immediately threatens the large Japanese banks, since they are holding large amounts of stock in other corporations, stock which they count as part of their capital. In previous years, it had been possible for the Japanese, through the massive buying of stock by institutions close to the government, to keep the Nikkei propped up at a level of 16,000 points for the key day of March 31, the end of Japan's fiscal year. This time, it does not look like they will be able to pull that off again.

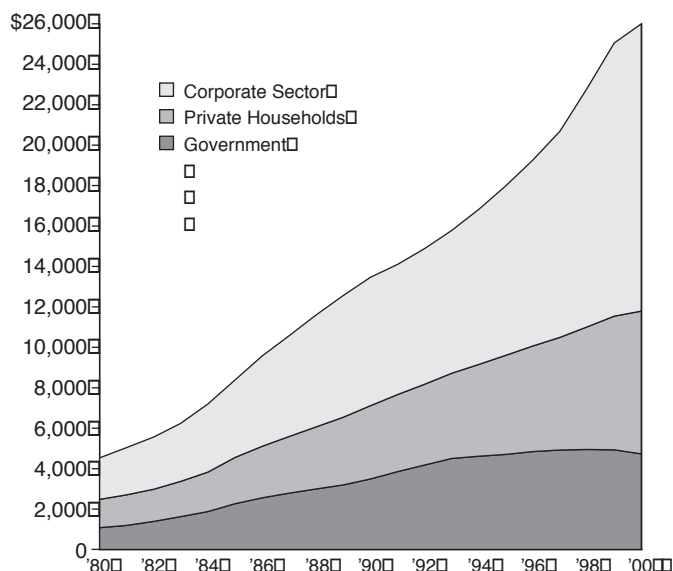
Europe: The Telecom Debt Time-Bomb

After the countless takeovers and mergers in the telecommunications sector and the gigantic expenditures for future mobile phone systems, the great telecom firms are stuck in a desperate financial situation. In the next nine months, the seven large European "telecoms"—British Telecom, France Telecom, Deutsche Telekom, the Dutch KPN, Vodafone in Britain, Telecom Italia, and Telefónica in Spain—must come up with more than \$80 billion of debt that is due. For the sector as a whole, worldwide, it is estimated that debts due in 2001 amount to \$200 billion.

Since the firms are not capable of paying these debts from their profits—most of them have no profits at all—a new wave

FIGURE 8
U.S. Total Debt

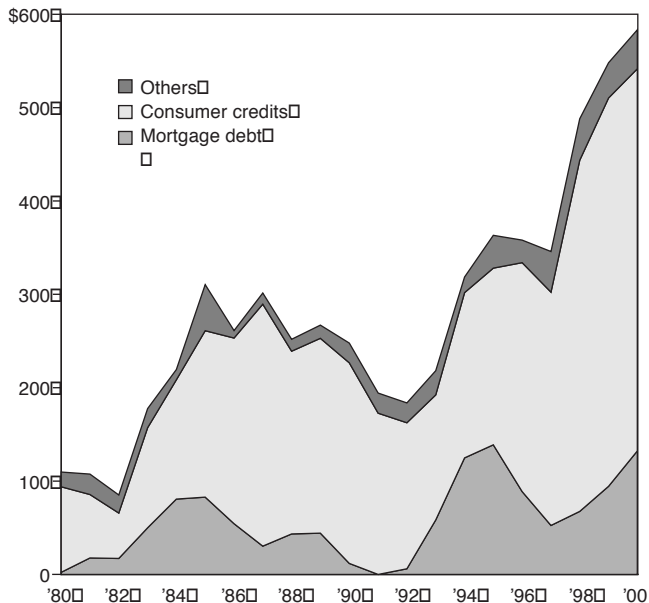
(Billions \$)



Source: "Flow of Funds Accounts," Federal Reserve.

FIGURE 9
New Debt of U.S. Private Households

(Billions \$)



Source: "Flow of Funds Accounts," Federal Reserve.

of indebtedness for them is unavoidable for this year. But the banks, especially the European ones, are already swamped in telecom credits, so that the bank supervisory bodies, and the central banks, in London, Frankfurt, and elsewhere, have sounded the alarm, and have warned expressly against any further commitments to this sector.

In the year 2000, bank debts of the European telecom sector went from \$41 billion to \$150 billion, a nearly fourfold increase. British Telecom alone obtained \$48.7 billion in new bank credits last year, followed by France Telecom (\$27.3 billion), Vodafone (\$19.6 billion), KPN (\$12.5 billion), and Deutsche Telekom (\$10.6 billion).

One other way to refinance the telecom debts would be to go to the international lending market. But telecom firms have flooded these markets in recent times with borrowing, so that they must offer ever higher interest rates, while the rating agencies are devaluing them. In the past year, the European telecom firms have floated bonds valued at \$70 billion, compared with \$40 billion the year before. Deutsche Telekom alone issued \$18.3 billion, followed by KPN (\$13 billion), Telefónica (\$7.1 billion), and British Telecom (\$6.9 billion).

Finally, there is the alternative of issuing new stock, in particular those of the mobile phone affiliates, spun off from the parent firm, and then placed on the market. Last October, Deutsche Telekom planned to reduce DM 120 billion of debt, by bringing their T-Mobil affiliate onto the market. However, because of the worldwide crash of the "New Economy" stocks, the entry of the T-Mobil affiliate had to be postponed.

Then it was France Telecom's turn, which could not wait any longer to bring its mobile phone affiliate, Orange, onto the market, in order to pay off the debts owed to Vodafone. Orange's entry into the market was stupid and a fiasco. At the last minute, France Telecom had to reduce the price by 17%, in order to find enough buyers, but nonetheless, the stock dropped another 13% in the first three business days.

When France Telecom took over Orange from Vodafone last year, they calculated that putting Orange onto the market would yield 150 billion euros. Now, these are only 45 billion euros! This is very bad news for British Telecom, KPN, and Deutsche Telekom, because they badly need the cash from going into the market, which they all have planned to do this year.

Debts and Financial Derivatives

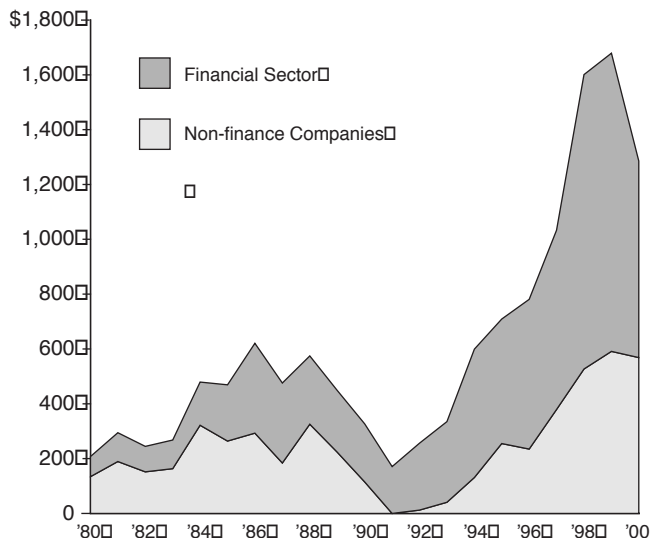
Since March 2000, the technology stock crash is on. On top of that, since the fourth quarter of 2000, the crash of the U.S. economy has forced itself into public awareness. What has only received scant attention from most people until now, is the shock that is still to come, that will come on top of all the others: the complete collapse of the worldwide house of cards of debts and other financial obligations, which would result from the blow, if suddenly a leading world institution, say, a Deutsche Bank, or a Deutsche Telekom, had to declare bankruptcy.

We have already talked about the debts of the telecom sector. Another aspect of this house of cards of indebtedness

FIGURE 10

New Debt of U.S. Corporate Sector

(Billions \$)



Source: "Flow of Funds Accounts," Federal Reserve.

is, again, the American economy, which in the 1990s experienced the worst credit excesses of its history. According to figures given by the Federal Reserve, in the 1990s, U.S. debt grew three times as fast than GNP (Figure 8).

At the end of 1999, the American GNP was \$9.5 billion, while the total indebtedness amounted to \$25.6 billion. In the 1990s, the GNP rose by \$3.9 billion, while debt went up \$12.8 billion. The number of dollars increased also. For each \$1 of nominal economic growth, \$3.27 were added in concomitant debt! On average, each American household has about 13 credit cards and \$7,500 in credit card debts—as compared to \$3,000 in 1990. Household debt has reached 101% of income, as compared to 84% in 1990 (see Figure 9).

The debt of the entrepreneur has now reach 46% of the American GNP—the highest level ever (Figure 10).

The derivatives holdings, essentially, gambling debts, of U.S. banks are huge (Table 2).

In Germany the situation is no different, as a glance at the biggest German bank makes clear. According to its own figures, Deutsche Bank, at the end of September 2000, had an outstanding balance of 996 billion in euros, which was secured by 27 billion euros of its own capital (Figure 11). Against that, however, there was a volume of off-balance-sheet financial derivatives in the amount of 10,039 billion euros, thus more than 530% the combined German GNP, and more than eight times the debt of the entire German nation, including the costs incurred by reunification!

The tremors on the world's stock markets, of the econo-

TABLE 2

Financial Derivatives of U.S. Banks

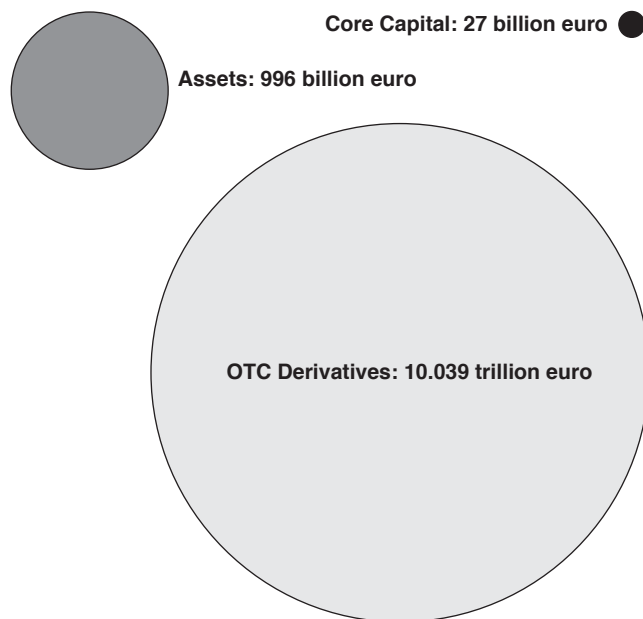
(\$ Billions)

	Derivatives Volume	Assets	Ratio
Top 25 Commercial Banks	38,024	2,923	1,300%
Bank One National	833	98	850%
First Union National Bank	1,015	228	4,450%
Citibank	4,936	369	1,340%
Bank of America	6,582	607	1,080%
Morgan Guaranty	8,753	178	4,920%
Chase Manhattan	14,065	346	4,070%

Source: Comptroller of the Currency.

FIGURE 11

Deutsche Bank Profile, Sept. 30, 2000



mies of entire nations, around the whole globe, combined with these debts, and the landslide of derivatives, have combined into an avalanche. No crisis management, like that carried out during the past six years, will be capable of stopping this systemic collapse: no lowering of the interest rates in the United States, no new round of interest-rate reduction worldwide, or any other kind of fix-it methods, will work; only a transformation of the system will work, i.e., a return to the economic principles, with which President Franklin Roosevelt defeated the Depression in the 1930s, and with which the Western industrial states achieved reconstruction after the Second World War.