

# The Dam Has Broken! Only LaRouche's Measures Can Avert Catastrophe

by Helga Zepp-LaRouche

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The international financial system is hopelessly bankrupt; it has already collapsed, exactly as Lyndon LaRouche presented in his webcast on July 25, 2007. Since that time we are only experiencing the way the consequences of the already accomplished collapse are pounding on the surface, in ever stronger shock waves. And as long as governments don't adopt the measures which LaRouche presented in his latest webcast on Jan. 17, the world financial system, and unfortunately, as a consequence of that, also the real economy and the living standards of the population, are in a collapse spiral without bottom.

What is occurring now is exactly what LaRouche has warned of for a long time—that the attempt of the international financial institutions and central banks to prevent the collapse of the system, with new tricks, would only lead to the unavoidable collapse spreading with ever greater force. Despite the clinical denial of reality by the Berlin government and the lies of the bankers, now it's reached the point that the dam has broken.

The Standard and Poor's rating agency has downgraded \$50 billion in subprime bonds and announced that more financial paper, with a valuation of over \$484 billion (!) will be downgraded. This amounts to about 47% of all of the mortgage-backed U.S. bonds rated by S&P, and 35% of all the CDOs which have invested in the American subprime market. At the same time, they must reckon with a further international wave of foreclosures in the private and commercial sectors, after over 2 million homeowners in the U.S. already lost their houses in 2007.

The banks' losses resulting from the credit crisis—already over \$100 billion—will rise many-fold, if the logical consequences ensue. A lot of these securities were secured by the so-called monolines,<sup>1</sup> such as MBIA or Ambac, which are now themselves faced with downgrades. These monolines have insured bonds with a total volume of \$2,300 billion, in-

cluding so-called structured products with a volume of \$800 billion (!), of which many are supported with mortgages from the totally dubious U.S. subprime mortgage market. As soon as the monolines are downgraded, there will be a new wave of depreciation of the banks' assets, and a number of them will not survive.

The well-known Swiss financial paper *Le Temps* pointed out on Jan. 30 where more victims in the escalating breakdown crisis can come from. Among them are Société Générale (for whose current crisis, by the way, over 50% of Frenchmen consider the "lone assassin" Jérôme Kerviel to be innocent), which is sitting on about Eu10 billion more in dubious securities. With a candor lacking in the German media, *Le Temps* explains that the next shock wave will come from the German banks. Commerzbank still has a portfolio of credit derivatives at a volume of Eu12 billion, and further massive losses can be expected at the state banks LBBW (Baden Wuerttemberg), WestLB, HSH Nordbank, Bayern IB, and NordLB. The postal bank is sitting on Eu6.3 billion in credit derivatives. And the Hypo Real Estate Bank is involved through its daughter institution DEPFA Bank, with Eu44 billion in securitization of American loans.

The West LB, at whose disposal the savings bank association in North Rhine-Westphalia has already been forced to put over Eu2 billion—money which is now not available for the communes and medium-sized business undertakings—should raise, according to the demand of the rating agencies, a further Eu3 billion in risk insurance, which the savings banks could not, and the state is only prepared to place at its disposal, if the savings banks give up further portions of WestLB, which therefore again fell as a burden on the taxpayers....

If more institutions and citizens do not realize very soon that we all have responsibility for what becomes of our beautiful Germany, Germany will be thrown into a deep depression along with the rest of the world. The paradigm shift, which, for example, changed the Ruhr region from a highly concentrated industrial area to a region of service workers, casinos, and museums, will be completed by a further change by which "Nature" wins the upper hand, and then Essen, Dortmund, and Bochum will soon appear like the capital city, Angkor, of the fallen regime of the Kingdom of Khmer—that is, trees growing out of empty factories.

1. Monoline insurers guarantee the repayment of bond principal and interest when an issuer defaults.

The plan of the North Rhine-Westphalia government, in any case, is going in this direction: making the entire Ruhr region into an environmental zone, where only low-emission vehicles are permitted. Instead of overcoming the congestion of the autobahns by environment-polluting trucks, by installing a modern transportation system of the Transrapid and Cargogap, and with it creating the basis for connecting to a Eurasian transportation network, the responsible officials and citizens let the green post-industrial insanity go ahead.

## An Existential Crisis for Civilization

But implosions are also continuing on the international level. If the expected writedowns of the bond insurers occur, such as MBIA and Ambac, which have secured questionable financial products, Citigroup, Merrill Lynch, and the Swiss bank UBS—according to bank analyst Meredith Whitney—will also have to write down an additional \$40 to 70 billion. But also these are only the tip of the iceberg, whose melting is fully underway. A further forced collapse is threatened in the U.S. in the area of auto loans, which have an average span of seven years (!), and whose annual total is \$600 billion. In 2007, the rate of personal bankruptcies rose about 30%. This number will explode, if a new giant wave of foreclosures hits.

If the U.S. is to be stopped from being hurled into a long, deep depression and incalculable political chaos, in which the American republic is replaced with a fascist dictatorship, then the various measures which LaRouche has proposed, must be realized, including his bill for saving the homeowners and the banks, the HBPA, which has been endorsed by 61 cities and introduced in 12 states. That means the State, according to the American Constitution, must place the chartered banks under bankruptcy protection, and a two-tiered credit system be established, so that cheap credit with 1-2% interest rates for productive purposes is put into effect, and high interest rates kept for international financial trading, to stop the collapse of the dollar.

The key problem in Europe lies in the fact that the European states, with the Maastricht and Amsterdam treaties, the Stability Pact, the ECB [European Central Bank], and the euro, have given up their ability to handle the crisis. It has been demonstrated that the architecture of supranational institutions cannot hold, under conditions of an escalating global financial crisis. The ECB will not serve as a lender of last resort for the national banking systems, even if the ECB stretches its own rules and, for example, provides dubious guarantees for loans to the Anglo-Dutch bank Rabobank, and the Spanish banks.

The meeting of Chancellor Merkel, Prime Minister Brown, Prime Minister Prodi, and President Sarkozy in London, was totally unsuccessful in the face of the drama of the crisis, and was capped with an absurd communiqué, saying that the fundamentals of the European economy were sound.

Brown and Merkel opposed the demand of the other two for better regulation of the financial system (which Great Britain secretly sets up for its own weak banks).

Sarkozy later, angry over the still-not-cleared-up scandal over Société Générale, threatened that the “lack of transparency” could lead to “a return to protectionist measures.” And according to *Le Canard Enchaîné*, Sarkozy said: “We must get away from a capitalism without transparency, in which the invention of new banking systems has given power to the speculators instead of to the entrepreneurs.”

If Germany and the other nations of Europe are to survive the currently escalating financial crash, that would only be possible if they take the measures I have proposed—that is, the treaties of Maastricht and Amsterdam and the Stability Pact must be frozen, sovereignty over their own currencies must be restored, and the Stability and Growth Law of 1967 must be reactivated, on the basis of Articles 20, 56, and 104 of the Basic Law.

But these tasks will only solve the situation if a growing number of German citizens stop thinking like underlings and begin to act like citizens. Citizens must finally understand that we are in a position to lose the scope of our civil rights, one after the other, and finally, Germany itself, and that the Federal government obviously is doing nothing to protect the population from the actions of criminal elements in the leadership of the international financial institutions.

We know, from thousands of discussions on the street and in the institutions, that a growing number of citizens understand that we really have reached the end of an epoch, and that there is in Germany only one organization which tells the citizens the truth, and has a concept for solving the crisis on an international level: that is the Civil Rights Solidarity Movement. But as long as the voters still, at the last moment, “vote for the lesser evil”—or allow themselves to be buffaloes by lies, which are circulated by the same circles who are responsible for the current crisis, instead of listening to the only party which represents a real solution—Germany will not be saved.

We find ourselves in an existential crisis of human civilization, and only if we revive our best tradition, as it is expressed in our Classical culture and the Judeo-Christian-humanist image of man, can we mobilize the moral strength for a solution. Today, what was written in the third leaflet of the “White Rose”<sup>2</sup> still is valid:

“Every individual human being has a claim to a useful and just state, a state which secures freedom of the individual as well as the good of the whole. For, according to God’s will, man is intended to pursue his natural goal, his early happiness, in self-reliance and self-chosen activity, freely and independently, within the community of life and work of the nation.”

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2. A non-violent resistance group in Nazi Germany.