

One was the British free trade system, the Adam Smith system. The second, was to eliminate all vestiges of British, Dutch, French, and Portuguese colonialism from this planet and to foster the development of sovereign nation-states with free access to the most modern technology available on credit terms. And the Bretton Woods System, as designed, up to '58, by Roosevelt, had been intended to effect that purpose.

The death of Roosevelt resulted in the British faction and its friends in the United States aborting that policy. We kept the other elements of the Bretton Woods policy, but we never accepted the responsibility of creating finally upon this planet, a just, new world economic system, which would provide justice for those nations in what we now call the developing sector and was formerly called the colonial sector.

What we must do now, is to go back to that. We must create a New Bretton Woods, which has all the lessons we learned from the mistakes and successes of the old pre-1958 Bretton Woods rebuilding. We must combine that with a commitment to involve the participation of leading representatives of what we call the Third World, in running the system.

Under those conditions, with the emphasis on the machine-tool-design program I indicated, I believe that if the President of the United States would act now and say to people in various parts of the world, as in China, as in India and elsewhere, and Russia, "We're going to stop this nonsense, we're going to stop this drive toward war, we're going to create a new system now, and in the terms of creating that system—in the process of creating that system, let us then address this mess in the Balkans, among other things."

That, to me, is the only sane opportunity available to us at this time. Nothing will stop this system from collapsing. You're going to bankrupt it, or you're going to hell. You have two choices—only two.

If you don't change the system, then you won't be able to stop the impulses toward war which are now being unleashed by this Anglo-American combination which has expressed itself since October of this past year.

And therefore, we're at the point where we are being tested. Do we of the present generations of humanity, have still the moral fitness to survive? If we cannot take the kinds of approach and measures I've indicated, then indeed we do not have the moral fitness to survive, and we should probably therefore find ourselves subjected to another great new dark age of humanity on this planet.

With the chain reaction effects of what I see coming now, the insanity I see in the minds of leaders in the United States, in Britain and elsewhere, you can't stop it, unless we go to the end of this process, the Balkan process, and say, "Now, let us define the thing that will bring the process that led us here, to an end."

And that's my proposal.

Wilhelm Hankel

For a new world monetary order

Dr. Hankel is Professor of Economics at Frankfurt University. He is one of the four German professors who had tried to stop the euro, with a legal procedure against it at the German Federal Constitutional Court. He was board member at the German Kreditanstalt für Wiederaufbau (Bank for Reconstruction) in the 1960s, and later was president of the public German bank Hessische Landesbank. His speech is translated from German and subheads have been added.

Many roads lead to Rome, and so it will not surprise you if my remarks differ in two points from those of the esteemed previous speaker.

First, I will be more brief. Second, I will not provide a political analysis, but an economic one. I will attempt to show you, in 20 to 30 minutes, that the application of our economic knowledge—and economists are obligated to serve the general welfare—would have saved us from two things in the last 40 to 50 years. Namely, it would have saved us from the destruction of the Bretton Woods system, and the application of this knowledge would have let us avoid fiddling around for the last two decades without an economic global world monetary system, and producing, in the process, one catastrophe after another.

So, here is an economist who speaks to you, not a politician. And I will indeed keep to accepted knowledge in our area, and I will show you that the "mainstream" of economists actually come to the same conclusions as Mr. LaRouche has presented us, from a different point of view.

First of all, we have to be aware that we should be more careful with two "catchwords" of our time, i.e., with the words "globalism" and "financial crisis." Although these words are used in a rather inflammatory way, they are usually seen or interpreted wrongly.

Globalism is nothing new at all. Anyone who knows anything about history, knows that the old industrial countries in Europe achieved a new degree of interrelationships in foreign trade, which they had before the outbreak of World War I, only in the recent years and decades. The old German Reich had achieved a relationship of exports and imports with respect to GNP, which the later Federal Republic of Germany only achieved in the 1970s and 1980s. Nevertheless, at that time—before 1913—no economist and no politician spoke about a crisis of globalism, not to mention financial crises.



German economist Prof. Wilhelm Hankel discusses how the application of real economic science would have made it possible to avoid the policy blunders of the past 20 years.

What is actually new about the new globalism, therefore, is not world economic integration. At most, that is true of the new countries, the new developing countries. And for them, it is a process with many blessings—because they are not supposed to be isolated, and to develop alone, as primitive and decoupled economies. No, what is new, is actually something very different.

The explosion of the financial markets

What is new, is the explosion of the financial markets. The autonomous life of the financial markets, which actually developed only in this century, following the collapse of the Bretton Woods system—which is easy to verify historically and statistically, and since I do occasionally follow the publications of the Schiller Institute, I can refer you to the numbers which they have published. The question is, why have the financial markets taken on such a life of their own in the post-Bretton Woods era? Why have they taken on such a life of their own that their volume today is 60 times greater than the exchange of goods, i.e., exports and imports, and direct investments, and we are always asking ourselves in bewilderment, if we could do quite well with 3-4% of the current financial turnovers, what are we actually financing with the remainder of 94-95%?

The standard answer to this question, “speculation,” has to be taken with a degree of caution.

One modest man, former German Federal Chancellor

Helmut Schmidt, calls himself a world economist only very discreetly, and in this connection he speaks of “Monaco Capitalism,” or “predator mentality,” but he forgets that the lion’s share of the expansion of the financial markets, as we incessantly experience it, is actually not an aggressive speculation, but a defensive speculation. If, that is to say, there are incalculable risks for financial investors, then they have to insure themselves against these risks in one form or another. And if there is no public insurance against financing risks, then every free economic system will create its own. And this is the insurance, these are precisely those transactions which we so generally describe with the word “speculation.” A speculator does not create risks, he takes them over. He takes them from someone who does not want to have them. So, the risks have to be sought somewhere else than with the one who takes them over.

If we ask where these incalculable financial risks come from, which are taken over but not created in an imperfect world of private, small and large, foolish and conniving speculators, then I recommend that we open the texts of the economists, whose teachings are unfortunately correct even today, although they are ignored. John Maynard Keynes made an observation already in the 1930s, and gave it a gloomy formulation, that, whenever there are risks, then the project-linked marriage between the investor and his banker will dissolve. The banker—when the financier has risks, which he can neither adequately estimate over the entire time for the completion of a project, and which he does not want to bear, then he develops a certain fantasy. This fantasy—the microeconomic, particular-economic, I might also say which is rational and self-evident—consists in reducing the financial risk. And that is what he does. First, he shortens the maturity time. He will take a long-term 20-year credit and turn it into 20 credits which run for a year, or 40 running for 6 months by making hedging contracts. Pure assets become counter-contracts with corresponding liabilities. Or, he goes to the futures markets. He secures assets, monetary income which will mature only in months or years, either by selling futures or entering a derivatives contract.

All of this demonstrates two things: If risks exist, financial markets bubble up according to their own laws, because the financiers either suspect that there is reason to fear, or have reasons to fear for the money of their customers. And, a new world of “money-only business” develops, where many hope to earn money with money alone, without having to move into honest, real commodities or investment projects. And John Maynard Keynes, in his *General Theory*, observed in the 1930s, that it will always transpire when risks become incalculable, when they become incredibly large, that the financial world will flee into something which we can observe today daily, namely, into liquidity preference. The explosion of the financial markets is a unique experimental proof that financial investors today have to think in terms of liquidity preference because of the fear of the risks. Investments must



John Maynard Keynes at the original Bretton Woods conference in 1944. The world “needs a world monetary system, a better Bretton Woods,” states Professor Hankel.

be kept liquid. That is why there is the tendency, periodically and cyclically, for falling into panic reactions, when they suddenly pull their money out of Asia, out of Mexico, out of all kinds of daring investments, and they do not do that as individuals, but in a herd hysteria, like lemmings. And that is what we then call a financial crisis.

The systemic risk

The question is, however, is such a crash—and we have had such crashes in the last 70 years repeatedly, and especially dramatically when we have a regime of floating exchange rates, i.e., in the 1930s and then again in the 1980s and '90s, following the collapse of Bretton Woods. The question is, what type of crisis is this? There are certain analysts, who are by no means cynical, who say that it is not a crisis at all, it is a corrective adjustment or purification. Speculatively exaggerated monetary values are corrected and adjusted downward to their real value. And, if some people lose money in the process, and others make profits, then that is a creditor-debtor adjustment, and that is what we see every day on the stock market in miniature. But there is a residue risk which remains after the adjustment of these individual risks. And that, is the point. That is the systemic risk. Every system, but also every non-system, can indeed carry partial risks which maintain themselves within certain limits. There is a risk-tolerance. But there is a threshold beyond which these risks are no longer tolerated and cannot be carried. That is what we have to look at.

A mere stock-market crisis, a simple escalation of interest

rates, an accumulated devaluation of exchange rates, these are all things which we have experienced in recent months, for example in Asia, Russia, eastern Europe, before that, in Latin America. At some point, all these things become a systemic risk, because the individual adjustment, the particular-economic adjustment, leads to a situation where the consequences of the crisis impacts the economy as a whole, the national economy, the region, and the real economy. And a precise analysis shows that this is always the case when the two general prices of every economy—I might also say the two decisive monetary parameters of an economy, i.e., the exchange rate and interest rate—are skewed and pushed in the wrong direction.

And that is why, in principle, we have repeatedly experienced the same thing in the crises in Asia, in eastern Europe, back into Latin America in the post-OPEC [Organization of Petroleum Exporting Countries] era, i.e., after the “oil shock,” after the collapse of the Bretton Woods system: Free capital, money capital, moves into financial investments in these regions, without initially having any clarity about the risks involved. This massive capital import leads to increasingly skewed exchange rates, namely to a real upward valuation of the currencies involved, and it leads increasingly to false real interest rates, namely, to interest rates which are too low in real terms. And this process can be dissected into two parts: In an initial process, in which no one notices what is happening, the country becomes over-indebted, seduced by low interest rates, and ignores the transfer consequences and the risks. The creditor is seduced by an apparently fixed exchange

rate with this currency, which does not seem to be subject to change, and with which initially high nominal profits can be made, and he adds more and more credit. At some point, the god of knowledge punishes everyone with the insight that these are risks, both as concerns the currency in the exchange rate, as well as in the project which can no longer provide a yield which covers the interest.

Then we move into act two, namely, when foreign capital pulls out. That leads not only to an individual adjustment on stock-markets and financial markets, but in addition, the systemic risk of an entire region increases, which is suddenly emptied of its capital, confronted with an escalation of interest rates and devaluation, and must pay a multiple of debt service, has to pay the debts which it incurred, and suffocates under the impossibility of doing it.

The answer is quite simple

That is the mechanism. And the question is, how do we break this mechanism? And the answer—as you might suspect—is quite simple.

As long as there were orderly world monetary systems, as in the nineteenth century, this type of crisis did not exist, and it could not exist. Under the gold standard, we did indeed have a nationally ordered, but also internationally functioning, world monetary system. If, as it was at that time, each currency is only a national name for the gold which backed that currency, and which everyone accepted, then there are fixed exchange rates automatically. If a pound-sterling means nine grams of gold, and a Prussian thaler, prior to 1870 and then after 1873, means three grams of gold, then the thaler is called a reichsmark, then there is an exchange relationship between the German and British currency of 3:1, and everyone can rely on that relationship. There is no room for insecurity.

And second, if interest rates always orient to one magnitude, and reliably so, and not to the profitability of a project, but to the balance of payments of a country, then you always know whether they will go up or down. If there is a balance of payments deficit, they will rise, and if there is a surplus, they will drop. I.e., the financial markets of the nineteenth century were embedded in a globally ordered system. And it is always a certain aha!-experience for me—I do not know whether representatives of the present Free Democratic Party, the liberals, are among us—that today's liberals have no notion that, in the nineteenth century, everything was quite liberal on the markets for goods and commodities, but there was one market that was never liberal: That was the money market. This market was always ordered by the state and high authority by means of central banks, by means of coinage laws, and a political price of gold.

The classical economists knew something which many of our contemporaries forget now and then, that it is only when the money markets are firm and under control, that there is any freedom for the markets in goods and commodities to

develop freely. If the money markets are already in disorder, then the markets for goods and commodities never get into order, and that is something you can already read in John Stuart Mill in the last century. That was also the credo of the liberalism at that time. In the grand victory of the currency school over the banking school, we may observe that the banking world, not the central bank, did not have the right to run a free-money system. No one even trusted the central banks, because they were a part of the banking world, and they were all chained to the gold standard. It was for that reason a clear procedural rule that, if a central bank lost gold, it had to either reduce the amount of money in circulation or increase interest rates, but it had to stay liquid. And that was something you could rely on.

This system did nevertheless—many would say, astonishingly—collapse in the great stock market crash of 1929, Black Friday. Today, we can recognize rather precisely why. Because at that time people broke the rules. At that time, the United States, misevaluated the situation and ignored the rules of the gold standard, and although it was a surplus country, it did not reduce interest rates, but raised them. This interest-rate escalation then spread quickly to the countries of the gold standard at that time. Furthermore, since the United States was in a difficult domestic situation, as were England and Germany, also, but for different reasons, the U.S. could not live with this imported rise of interest rates, and that led to their exit from the gold club and the end of the gold standard, and that led to a real economic crisis, which, from 1930-35, then led not only to hundreds of currency devaluations—because everyone passed the devaluation on down the line. Rather, in real terms, it led to the tripling of the values on the commodities, services, and investment markets in the world economy of that time.

Keynes's plan

In 1935, there was only a third of what we had worldwide in 1929. And it was the recognition of this that led Keynes, in following out his notion of liquidity preference, to postulate—in the meantime the crisis had become World War II—that, once we get back to peacetime, when the bad Germans and Japanese have finally laid down their weapons, then we will establish a world monetary order which is based on the idea of the gold standard, but which also avoids its decisive fault, i.e., the deflationary risk. The risk that an imported deflation—at that time from the U.S.A.—forces everyone else to deflate, and thus to plunge into unemployment. That is the mistake that we will not make. And that is why he invented something which was probably too ingenious for that time, although it was quite simple, a world monetary system, not with a fixed volume of gold, which was dependent on likely customers, but dependent upon a politically controlled amount of gold, namely, the money of a world central bank. An artificial gold, and he called it bank-gold. And he said at the same time, this artificial money not only has the

advantage that it avoids deflationary excesses, it has, in addition, a very political advantage. It belongs to no nation. It belongs neither to England, nor the U.S.A. It belongs to an institution, and this institution is free of the political and domestic political pressures of a democracy or a dictatorship. This institution will control the volume of money in the world as the world economy needs it, i.e., not in a deflationary way.

And Keynes postulated a second point, which was at least equally important: We have to stop putting all the blame for crises in a global economy on the debtors. In the English language, the pun is impossible to express, but in the German language, the debtor is called the debtor because he is to blame. That is not only unfair, it is stupid. In a closed system — and a world economy is always closed — certain laws hold, or to say it in a scholarly fashion, a zero-sum game. I could say it more simply: It is a Cartesian accounting; there is as much plus as minus, there is as much good as bad. And no one, not even the most ingenious economist, can predict or analyze whether it is the debts which cause the surpluses, or the surpluses the debts. Both transpire at the same time. That is why Keynes said that it would be great step toward modern monetary enlightenment if we finally stopped making the debtors responsible and letting the creditors go scot-free, since they are supposedly not responsible or to blame for anything. Instead, we make both responsible. And he demanded that, in his system with a world central bank, where

everyone has his account, where a bank account is tallied up in non-commercial and non-national money, if there is a discrepancy in accounts, plus or minus, both should be punished. The debtors (sinners) were always punished, going all the way back to Adam, and not just since Smith. Since Keynes, the creditors were also to be punished.

It would have been too good to be true. We would have had a completely different development in the last 50 years if this model of supranational world money, with equal punishment of the debtor and creditor, this symmetrical system, if this had been born back then in Bretton Woods. It was not born. It failed, because of the objection of the great victor of that time, understandably, the U.S.A., which explained, through the mouth of Secretary of the Treasury Morgenthau, that they would not subject themselves to a supranational regime.

Then they turned the Keynes project into a cup of weak tea. The world central bank with its own money, became the International Monetary Fund. And a fund never has its own money. That is its difference with a bank. It has to take what it gets, or what is deposited with it. So, the IMF had deposits, and these were denominated in dollars. And that is how the fiction arose that the dollar is the leading currency, an officially supported leading currency. Keynes had to accept these decisions at that time, because, as the British representative, he had no other choice. Sarcastic as he was his entire life, he predicted at the time that, first, out of my bank you have made a fund, and out of my fund (he had proposed a fund at that time for the Third World) a bank, the never-founded World Bank. But what was decisive, he said, is you have made a sort of “pub,” a bar, out of this system, in which the bartender will decide in the future how many guests can drink. And it is a great question of who will shove whom out the door: a drunken barkeeper the sober guests, or the sober guests the drunken barkeeper. I leave it to your imagination to figure out what happened when Bretton Woods collapsed in 1973. I believe that the sober Europeans threw the barkeeper, the United States, out the door. But these sober Europeans were unfortunately not wise enough to hire a new bartender to replace the old one. They dismantled the system, instead of reforming it.

The decisive element of the Keynesian plan was quietly and secretly — and I am an eyewitness to this, because at that time I was the deputy of Mr. Karl Schiller (which Mr. Hellenbroich kindly forgot to mention). In 1968, we introduced the Special Drawing Rights. This is only a truncated word for the Keynesian banker, a technocratic expression for the money which the IMF does not receive from others, but can itself create. To make a bank out of the IMF — which was dependent upon the charity of the U.S.A. and other countries, including Germany, which produced its own liquidity and put it at the disposal of suffering regions as credit in case of need, credit which cannot be taken from anywhere else, but which this bank can finance. Naturally, the great monetary powers of that time, which are unfortunately still the same powers today,

For previews and
information on
LaRouche publications:

Visit EIR's Internet Website!

- Highlights of current issues of EIR
- Pieces by Lyndon LaRouche
- Every week: transcript and audio of the latest **EIR Talks** radio interview.

<http://www.larouchepub.com>

e-mail: larouche@larouchepub.com

i.e., the U.S.A. and the European Community, after having taken the first step, then, in the second step, understood what they had done, and they imposed an immutable clause on the IMF and the production of new Special Drawing Rights, i.e., the clause which demands the agreement of 85% of the voting members of the IMF.

Now, that is abstract material, although its practical implications are immensely political, and reach all the way into the living room of even an Indian farmer. But, at that time, no one asked, not even a big or small jurist, what a quorum of 85% means. This is something completely new in the history of national and international law. We have simple majorities, and we know that is 50%, and we have qualified majorities, which are two-thirds, but I know of no such thing as an 85% majority. But that is what we have for the Special Drawing Rights.

It is advisable in such questions to turn the question around. An 85% majority means that 15% is a blocking vote. Who has a 15% blocking vote in the IMF? There are two blocs, the U.S.A., with 15.1%, and the European Union, with 15.9% at that time. And that was the assurance that, after the first allocation, after the first step into the Special Drawing Rights, we would not need a second allocation. And that is how it is, down to this day. The IMF is still the beggar to governments, dependent; the general secretary is a political official, without any economic or global quality.

Let me come to the conclusion. If we look at the autonomous dynamic of the financial markets, the current volatility, which is only a fad word for what Keynes called liquidity preference, if we see this as the real danger, as the systemic risk for regions, for nations, for economies, then we do, of course, need an exchange-rate and interest alliance of the large nations of the world, which are the bearers of world trade. We need an international monetary law for the monetary relations among the great nations. Bretton Woods was the first step toward such a thing. But Bretton Woods did indeed take full account of the experiences of the 1930s and reflected them: We have hardly had any deflationary crises.

But there was another risk. I do not want to say that Keynes did not think of it, but at that time he thought it was somewhat exaggerated: Bretton Woods harbored an inflationary risk, which was a consequence of the fact that there was no system-internal money, no banker, and no Special Drawing Rights, and the accounting currency for settlements was the dollar. And dollar inflation at that time was transferred, via the obligation to purchase dollars, to all the member-nations, which they did not agree with.

We need a better Bretton Woods

I have provided you with an analysis of all the historical elements, but now I would like to say, in five sentences, what the world needs today.

It needs a world monetary system, a better Bretton Woods. But this world monetary system must, in a way which is different from the shattered, historically collapsed Bretton Woods

system, provide security not only against deflation and unemployment. It must also secure against inflation. For that reason, the central axis of this system must not be nominally fixed exchange rates, as in Bretton Woods, but really fixed exchange rates. I.e., the inflationary component must be taken into account and built in.

Everyone today knows what a real exchange rate is. It is one which is adjusted for inflation. And if this is put at the center of the monetary system of the world, every member-country has an option. It can either hold onto an exchange rate, as in Bretton Woods, and then it has to avoid inflation: A fixed rate of exchange and domestic inflation are not compatible, and we went through that in Bretton Woods. But, if a country really needs some degree of inflation more than the others—I am by no means a purist who would contest such a contingency, for situations may arise where national inflation is unavoidable, for structural or developmental reasons. We cannot presume that the entire world is going to run on the same rate of inflation. Whoever makes such a claim is worse than the Pope in Rome. If, therefore, a country needs room for its own inflationary processes, not excesses, then that is quite possible in this system of real exchange rates: Then the country has to devalue immediately. It has to calculate the rate of inflation into the exchange rate. So, real exchange rates mean protection against inflation and deflation, and whoever really inflates has a certain room within which to do it.

The second thing, in order to keep exchange rates stable in real terms, we have to finally say good-bye to the eternally nationalistic, imperialist idea that some country—where possible, the strongest country with the most missiles and cannons—sets the leading currency. We must denationalize the leading currency. That was the great lesson of the gold standard.

The gold standard functioned for more than 130 years, following the Napoleonic Wars; it began in 1819, with the first gold-linked constitution of the Bank of England and, with a short interruption in World War I, it held up till 1931. That is a period of time which no other monetary system has been able to match. But why did it last so long, despite all the defects? It lasted so long because, in this system, there was a world money which belonged to no nation and no bank. Gold was accepted around the globe. It would not be accepted that way today, and there are good reasons to replace physical gold with a rational gold. Everyone knows that it was not gold which was accepted, but rather the political price of gold. So, we can replace this yellow metal, this barbaric relic, which does not derive its value out of itself, but only from the demand of the central banks for this gold. We must replace it with an allocated money, just as our central banks allocate our German mark. And that would be the Special Drawing Rights. We need these, first, as a measure of international liquidity, and second, as the reference base for fixed exchange rates. So, both as a reserve unit as well as an accounting unit.

We need, third, the Keynesian symmetry. We cannot

allow future crises to develop, such that poor developing countries like Indonesia, Malaysia, Mexico, or Brazil, have to take the full burden of adjustment, while the creditors make off with the money. We cannot allow that to happen. Therefore, the symmetry, which in case of need affects both—the debtors, with domestic discipline, and the creditors, with credit aid—becomes more indispensable than ever before. And that can only be achieved by an international monetary law, an agreement in international law, and a world central bank, an upper level for all of the national refinancing systems.

So, by a circuitous route, we see that the Keynesian royal idea, of linking national currency systems into an international system, is more urgent than ever.

It is the pure logic of common sense, even of a layman, which says that we cannot control national currency markets with a central bank, if the international monetary aggregates are a multiple of these national currency markets, and live in total freedom.

Since globalism has developed so nicely, since the world has grown together, and is continuing to grow together, since international financial turnovers, exaggerated or not, are a multiple of national currency turnovers, we cannot let currency controls and banking supervision stop at the borders of nations. Then we have to globalize them. That is just what a New Bretton Woods would mean. That is why it is necessary. And unless we have it, we will be repeatedly confronted with crises of excess. And, probably, if mankind does not learn—it is like that with children—then it will learn from its catastrophes. We will probably need another crisis, and yet another, before we understand that that cannot go on this way.

Nothing led to more of a stupid idea in politics, nationally and internationally, than the notion that you can take a yardstick of money, and treat it like a stock at the market, and measure it according to supply and demand. Money—and the economic classicists already knew this—is not the commodity that it measures, it is not the liability it expresses: It is the measure for the assets and liabilities. It has the same quality as a yardstick, a gram, or a given weight. It is idiotic to imagine that we can determine the value of a gram or a length on the yardstick one way today, and a different way tomorrow, and leave the measurement up to supply and demand. And in this idiocy, we see the problem we have today.

The Special Drawing Right is a measure, but you will never see it as money. Only central banks see it, and they see it only in the exchange rate, because it is only the yardstick. But that is important. So, we do this with the Special Drawing Right, but not with the euro; we do it with social symmetry in the adjustment process between debtor and creditor. That is the key point. And with exchange rates that are stable in real terms, and not nominal terms. With these three essentials, we can move into the twenty-first century, and we may even hope that this century will be somewhat happier, and not only in monetary terms, but also more peaceful than the century we are now leaving.

Stanislav Menshikov

The strategic, economic, and financial crisis

Anno Hellenbroich: *Thank you very much, Professor Hankel, for your remarks, especially for your conclusion, the suggestions for how we can change the situation, what the necessary steps are, so that it succeeds, that there is a solution, and that we do not end up in a new catastrophe.*

I would now like to introduce the next contribution, by Prof. Stanislav Menshikov. Professor Menshikov is now in Rotterdam, and has been active there as a professor for a number of years at the Erasmus University. He is a member of the Russian Academy of Sciences, and Director of Research of the Central Mathematical Economics Institute, CEMI, in Moscow. But he is not only a scientist. Professor Menshikov now and then picks up the journalistic pen, and he has written many articles, critical articles, which are sometimes to be read on the Internet, and he is now the European representative of the daily Moscow newspaper, Slovo.

Perhaps you will allow me one more word: After a small dinner yesterday evening, we had an intensive debate, and somewhere in the heat of battle, Professor Menshikov said: Well, although we have different points of view, we would not be here around one table if we did not feel the need to see reality more clearly, especially those things which have to do with the question, "The way out of the crisis." And, I believe, that is how Professor Menshikov wants his contribution to be understood, which has the title "The Strategic, Economic, and Financial Crisis." Professor Menshikov: [This transcription was edited from his oral remarks, which were in English. Subheads have been added.]

By profession, I am an economist, but I've been enmeshed in politics all my life. So, I will also use this occasion to share some of my political views, as well as economic views.

The war in Yugoslavia has placed the global strategic crisis into a very clear perspective: the unipolar world—which, of course, is the world where there is only one pole, meaning the United States. That's the only pole which exists. The unipolar world, which so far existed as a political abstraction, has suddenly emerged as a great danger to humanity. The United States superpower is not satisfied with its self-proclaimed role as the leader of the world; which is okay—you can call yourself a leader of the world, as Mr. Clinton does all the time, you know, the most powerful man in the