
Michael Liebig

The Terminal Phase of the Financial Crisis

Mr. Liebig is an Executive Committee member of the International Caucus of Labor Committees. He introduced the final conference panel, on May 28, on Franklin D. Roosevelt, Jean Monnet, and the precursors of LaRouche's New Bretton Woods reconstruction program.

We are now, in this concluding panel, addressing in a direct way, the very same themes that Lyndon LaRouche addressed in the opening panel: the global financial crisis and the way out of it, toward a New Bretton Woods. And when you leave here tonight, and go back home, then you are going to face a reality which may have started in Tokyo already, a reality of a world financial crisis, which LaRouche characterized as being in its terminal, cannibalistic phase. This description, "cannibalistic," is more than a metaphor. In order keep the bubble, the bubble of financial aggregates, in respect to real economic substance, the Third World was plundered to keep this bubble going, then the ex-communist countries were plundered to support this bubble, and we have now reached—and that was cannibalism as well—a condition, in recent months, where the traditional pragmatic arrangements among the G-7 monetary financial blocs are no longer functioning.

The financial bubble in the United States, as the center of the global financial bubble, can only continue, or the illusory hope to continue it for a while, can only exist, on the basis that in Europe and in Asia, in Japan, in particular, economic and financial monetary substance is being destroyed and extracted into this U.S. bubble, in a way which has no precedence in postwar financial history.

The fact is a very simple one. It's \$1-2 billion which every day has to flow out of Europe, and out of Asia, Japan primarily, into the U.S. bubble, to prevent it from immediately bursting apart. We have been seeing the utilization of every instrument of political, financial, and intelligence warfare in order to facilitate the continuous flow of \$1-2 billion per day. We have seen leading political and financial monetary figures, both in Europe and in Asia, being scandalized, destabilized, governments being destabilized, in this frantic, hysterical effort to keep the bubble going until the U.S. Democratic national convention, or the illusory hope to keep it going until the Presidential elections—and the names are all very familiar to you.

We had a scandal around [former Chancellor] Helmut

Kohl in Germany; we had a former Finance Minister, LaFontaine, suddenly disappearing; we had a French Finance Minister, Strauss-Kahn, disappearing; then, we had a head of the Banque de France, who suddenly becomes the subject of criminal investigation, at the very moment that the euro is collapsing. Within a few days of the Chiang Mai Initiative in Asia, the Japanese Finance Minister becomes the subject of a corruption investigation, and the South Korean Prime Minister has to resign for the very same reasons. So, that illustrates the condition of hyper-tension, and hyper-fragility. If you simply look at what happened last week, in terms of volatility on international financial markets on any given day, once again, there is no precedence in known financial history for such intra-day market volatility. Which is yet another characteristic of this terminal cannibalistic phase of the global financial system.

And lastly, and that was the central theme that Lyndon LaRouche went through, there is the fundamental inflation/deflation paradox which characterizes the current terminal phase of the world financial system. In simple words, the very means by which time has been bought, since 1990-95, to keep that system, that bloated system, going, the very means—systematic central bank liquidity pumping—has become the detonator for blowing it apart. That's the great paradox of the past five years of global financial history. The time that was bought since 1995, has led to an increase of the bubble. Just keep in mind that U.S. Federal Reserve Chairman Alan Greenspan, in 1996, talked about "irrational exuberance," four years ago, and compare the condition of the world financial system then, in 1996—in the early phase of this liquidity-pumping, time-buying, crisis-management policy—with the condition it is in right now.

The New Bretton Woods Alternative

But what is important, is that enormous progress has been made in putting together the alternative. And this is no exaggeration; this is a very sober assessment of what, centered on the activities of this organization and LaRouche personally, has been happening in the last years.

Again, let's take the period since June 1990-94, which is the first time that LaRouche publicly characterized the condition of the global financial system as such: that pragmatic crisis-management could not function, that only a radical structural reorganization of that system was possible any longer.

So, look at the various initiatives since, in particular early 1997, when we had the first call upon Bill Clinton for convening a New Bretton Woods conference. Today, we don't appeal to Bill Clinton any longer for convening such a conference. If he does, fine, but I would say that the man has had his chance, and our approach was right. As Lyn reported, Clinton managed to get himself pretty close in the direction we indicated, in the late summer-early autumn of 1998, when he and Treasury Secretary Robert Rubin did say some rather remarkable things, in terms of characterizing

the situation as a world financial crisis and going for calling for a new global financial architecture. But this stand very soon collapsed.

We have since had a number of initiatives on the New Bretton Woods, with a lot of remarkable echo around the globe: in Latin America, the endorsement by former Mexican President José López Portillo, in China, in Russia, in various Third World countries. And our latest initiative, in terms of the Ad Hoc Committee for a New Bretton Woods, speaking very soberly, this is moving ahead. I'm actually honored, that one of the first signators from western Europe, is here this afternoon among us, Dr. Bernard Zamaron, from the Robert Schuman Center, who signed it before others in western Europe dared to do so.

In the past days, we have had a number of important personalities who have also backed this initiative. And I think that it's a sign of the time, in the sense that people are beginning, in a way I have not seen, not just to realize, but to articulate themselves, mostly privately, still, that indeed, a New Bretton Woods is the alternative. And you can also see it, not necessarily so visibly, in the enormous counterpressure that is being developed against that initiative.

In my personal experience, this reminds me in a way of the situation in 1982 and 1983 on the question of the Strategic Defense Initiative, or in 1989 to 1991 on the question of what economic policy would be adopted in respect to the former Communist countries.

The Coming Test

So, that all means that we need to get mentally, intellectually prepared in the next couple of months for a test, a test for each and every one in this room. And this panel is designed to contribute, in helping to develop among each of you, an attitude based on a political and intellectual self-confidence in dealing with what at first might appear as some catastrophic, really historical shakeup, where from one day to the next, or one week to the next, or one month to the next, you have really dramatic eruptions and changes and disruptions, which probably will shake everyone in this room, in his or her bones. It will require this quality, this intellectual, mental quality of character, in being able to deal with the qualitatively new situation, where the so-called experts of today are going to run around like headless chickens—which was a lyrical expression of the *Neue Zürcher Zeitung*, at the height of the Long Term Capital Management (LTCM) crisis two years ago, but I still find it appropriate.

So, this is what we have to be prepared for: things like the financial crisis in Germany during the summer of 1931, this sequence of one trauma, one catastrophe after the next, beginning with the collapse of the Vienna Kreditanstalt, and the Darmstadt Nationalbank, and then the de facto insolvency and massive capital flight; or the situation which Hartmut Cramer will go through in his speech, in the first quarter of 1933 in the United States, just before and after the inauguration of President Roosevelt; or a taste of which we all were

able to get in 1995, when Barings collapsed; in October 1997, at the high point of the so-called Asia crisis; in October 1998, with the Russian default combined with the LTCM near-meltdown of the global system; or the events of the past weeks in particular, and what they promise for this summer and autumn.

So, in dealing with Franklin Delano Roosevelt this afternoon, and also with Jean Monnet, who may not be so generally known, this should not be a matter of academic review of economic political historiography, but these presentations should help us by establishing an historic reference to the period in 1933, and the period of the devastation of World War II, and the reconstruction after World War II—a reference point for us to be able to refer to, to give us intellectual self-confidence in dealing with the big test to come in the months ahead of us.

With this, I want to introduce our two presentations, first by Hartmut Cramer, describing the development of Roosevelt, the process of self-transformation, and his dealing with the situation in the first quarter of 1933; and second, by Jacques Cheminade, who will go through the broad global strategic approach that characterized his approach to the world economy and the world financial system—and let's not forget that the first Bretton Woods was one result of this—and then he will emphasize the work of Monnet in the postwar reconstruction of Europe.

The Way Out of The Crisis



A 90-minute video of highlights from *EIR's* April 21, 1999 seminar in Bonn, Germany.

Lyndon LaRouche was the keynote speaker, in a dialogue with distinguished international panelists: **Wilhelm Hankel**, professor of economics and a former banker from Germany; **Stanislav Menshikov**, a Russian economist and journalist; Schiller Institute founder **Helga Zepp-LaRouche** from Germany; **Devendra Kaushik**, professor of Central Asian Studies from India; **Qian Jing**, international affairs analyst from China; **Natalya Vitrenko**, economist and parliamentarian from Ukraine.



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