

## STUBBORNNESS WORSENS WORLD DEPRESSION

# Will the Great Crash Hit After November 17?

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The way things stand now, there are grounds to fear that the New Bretton Woods summit which French President Nicolas Sarkozy has organized to take place on Nov. 15 in Washington, will not lead to an adequate result. It could easily turn out as one high-ranking banker, quoted in the French newspaper *La Tribune*, imagines it will: that Nov. 17 will be a “black, black Monday.” But there could also be a “black Monday,” a “bloody Tuesday,” and a “horrendous Wednesday,” soon to be followed by a total collapse of the world financial system. The only possible way to prevent that from happening, would be prompt agreement on Lyndon LaRouche’s financial reorganization proposals, as set forth in his latest paper, “A New Dark Age Is Now Near: Today’s Brutish Imperialism.”

This gloomy prognosis is based on a number of factors. All indications are that neither the Bush Administration, which is heavily infested with former Goldman Sachs associates, nor British Prime Minister Gordon Brown, have any intention of agreeing on an actual reorganization of the bankrupt financial system. Bush was against the idea of the newly elected U.S. President taking part in the summit; and since there’s nothing to contradict the estimation of *Les Echos* that Wall Street is throwing in its lot with Obama, despite McCain’s good connections there, this really doesn’t make much

difference. But even those who are equipping the IMF with a “Global Regulation Strategy”—which simply means imposing one or two more rules on the bankrupt system—are totally misestimating the situation.

Because the idea that, after neo-liberal economic dogma has totally failed, the nations of Asia and Latin America will once again permit themselves to be subjugated by a global IMF dictatorship, is an absurd one. On the one hand, in the days leading up to Nov. 15, a number of summits will be held by groups of nations, ranging from Mercosur, to the Shanghai Cooperation Organization, to the G-20, etc. Participants in these summits will attempt to formulate their national interests within the context of the new financial architecture. The Asians’ experience with the IMF during the 1997-98 Asia crisis does not exactly inspire trust in this institution, even if it has “reformed”—and that includes Turkish Prime Minister Erdogan’s recent declaration that he will not permit the IMF to “strangle” the Turkish economy.

While spin doctors in political circles and in the media continue to debate over whether the economy is gradually slipping into a “recession,” or whether “the worst is over” (Robert Mundell), the facts speak an altogether different language: The real economy is in free fall. Freight transport rates for solid goods—i.e., grains, ores, and coal—have declined by 90% (!) over the past three months. In the past few weeks, China has not imported a single ton of iron ore. The Baltic Dry Index, which measures freight costs per vessel, has fallen by 92% since the beginning of this year—i.e., trade in raw

materials has declined dramatically. The China International Capital Corporation Limited reports that orders for new ships have declined by 66% worldwide.

Now that the auto sector has collapsed worldwide—Daimler, for example, is halting production of the Mercedes for five weeks—the full extent of the collapse in steel production is becoming clear. Arcelor Mittal, the world's biggest steel producer, expects to close 13 of its blast furnaces in Europe during from mid-November through the end of January. More than 60% of China's steel industry is running at a loss, and smaller firms are closing their doors, since the price of steel in China has collapsed by 30-40% since June. In the south of China, more than 50,000 small and medium-sized firms have declared bankruptcy. This shrivelling of industrial production has consequences for agriculture and for consumers' purchasing power. Prices for soybeans fell by 50% in the last three months, and grain by 20-30%.

In this age of (collapsing) globalization, the shrinking volume of freight transported is an indicator of the state of the real economy. Alongside the above-mentioned figures for shipping, sales figures for heavy trucks are also telling. In the third quarter, net sales of Volvo trucks plunged by almost 100%, from 41,970 to a mere 115. New orders for large trucks worldwide declined by 55%.

### **Empty Praise for the Free Market**

The financial crash has been ravaging the real economy for some time now, and if the Bank of England just now says in its *Financial Stability Review*, that the instability is as big as it has “ever been in human recollection,” it becomes clear how dangerous the politicians' and bankers' bull-headedness can get—such as at the recent “financial summit” in Frankfurt, where instead of taking their own incompetence as the fitting opportunity to resign from their posts, they couldn't get beyond empty appeals to, and praise for the free-market economy.

The rate of collapse is bound to increase, with new chasms opening up daily, whether in the position of hedge funds, which have to dump their assets because terrified investors want to pull out their money; or in the so-called emerging markets. Hungary, for example, recently negotiated a \$25 billion package with the IMF and the EU, after its currency went into free fall—a sum which goes more for saving Western banks involved in Hungary, than for the people, who will be subjected to tough austerity measures. In this connection, Switzer-

land and Great Britain could easily turn into new Icelands: Swiss banks' short-term liabilities are now 13 times greater than the country's GDP; Iceland's were only five times bigger.

Thus it should be clear to every normal person, that unless a new world financial system is immediately put onto the agenda, humanity will be threatened with a fate which the yuppies and profiteers of today's system could not have even remotely anticipated. Only an orderly bankruptcy procedure, whereby the probably hundreds of quadrillions of derivatives would be wiped out, can solve the problem. The speculators detest this solution more than the devil hates holy water, but that should not prevent governments from putting precisely this onto the agenda for Nov. 15.

If we compare the trillions that have been thrown down the gullets of banks which have run out of money, to the paltry sums allocated to the developing countries, then we see that the protagonists of this system are bankrupt not only financially, but morally as well. So, for example, out of the \$12 billion which was demanded at the Food and Agriculture Organization conference in Rome in early July, only *one* ridiculous billion has been allocated. And meanwhile, aid to developing countries has declined massively, and even out of what remains, the greatest portion is eaten up by administrative costs, climate protection, humanitarian assistance, and military deployments.

Participants in the Nov. 15 G-20 summit in Washington will be answerable to history, if they pass up this opportunity to put a real New Bretton Woods, in the spirit of Franklin D. Roosevelt, onto the agenda. The consequences of such a failure would be not only the early collapse of the world economy, with billions of people dying of starvation, but also incalculable social chaos in the G-7 countries—chaos which would be uncheckable even with the Mussolini solutions envisioned by some.

While in Italy and France, an open and expanding discussion is under way on a New Bretton Woods system, up to now the media and politicians in Germany have been united in their efforts to prevent this debate from occurring. This includes the dictatorial repression and slandering of the program of the BüSo in this country. If this is allowed to continue, the guilty parties will surely not enjoy the fruits of their actions.

There is only one reasonable solution: Lyndon LaRouche's ideas must be immediately put up for public discussion.