

German Authorities Take on Deutsche Bank

by Roger Moore

Dec. 29—Five hundred German police and prosecutors raided the twin tower headquarters of Deutsche Bank in Frankfurt Dec. 12, as part of investigations into the bank's complicity in a massive tax fraud involving the European Union's once highly praised "cap and trade" carbon emissions certificate scam. One week later, on Dec. 19, the Deutsche Bank towers were again raided by the police, this time seeking evidence of collusion among the bank's leaders in falsifying testimony in a bankruptcy complicity case the bank just recently lost.

On the same day, a court in Milan, Italy convicted the bank, along with UBS, Depfa, and JP Morgan, for fraudulent selling of interest-rate swaps to the city. Again, on that day, it was made public that the Swiss bank UBS had been fined \$1.5 billion for manipulating Libor (the London Inter-Bank Offered Rate), a crime conducted by a criminal conspiracy of banks in London, of which Deutsche Bank was a participant; UBS is expected to be hit soon, too.

In December, a former Deutsche Bank employee surfaced with new allegations that the bank had used complex derivatives to falsify its balance sheet. The Libor criminal manipulation was done to the benefit of several hundred trillion dollars of derivatives contracts, the trading of which is globally centered in London. On Dec. 27, the State Bank of Baden-Württemberg (Landesbank B-W), like other publicly owned banks in Germany, filed its own complaint for fraud against Deutsche Bank for selling it soon-to-be-worthless, asset backed securities (ABS) in 2007. Forty pages were devoted to these Deutsche Bank crimes in the 2011 U.S. Senate Subcommittee on Investigations report, "Wall Street and the Financial Collapse," a report little known in Germany.

Deep into the year 2012, Deutsche Bank was still a sacred cow within Germany—untouchable. Now that is over, and voices are being raised for the Bundestag to hold an investigation into the bank. Calls resound for



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The storied financial institution Deutsche Bank is no longer a sacred cow in Germany. Calls to break it up are becoming louder.

breaking it up: *Der Spiegel*, Dec. 17: "Break it up!" Deutsche Bank is no longer "too big to jail," let alone "too big to fail."

A Noble Tradition

But, Deutsche Bank wasn't always so.

On Nov. 30, 1989, after the fall of the Berlin Wall, the then-head of Deutsche Bank, Alfred Herrhausen, was assassinated in an unprecedented, highly professional, electric-eye-triggered, shaped-explosive-charge bombing of his armored car, as his security convoy was on the way from his residence north of Frankfurt, to the bank headquarters. This crime, at the time attributed to a non-existent "Third Generation" of the Red Army Faction (RAF) terror group, is unsolved to this day.

In a written speech which was to be read at a confer-

ence in New York on Dec. 4, 1989, Herrhausen proposed that a development bank approach, Marshall Plan-style, should be used to assist the countries of the East, such as Poland, which could be expected to undergo transformations like that which collapsed the government of East Germany. Herrhausen's speech was in the spirit of Lyndon LaRouche's famous and stunning declaration a year earlier in Berlin, Oct. 12, 1988, announcing the coming unification of Germany, with Berlin as its capital, such that Germany could play a positive role in making an offer to the Soviet bloc to begin rebuilding the industry and agriculture of their crumbling economies.

After the assassination of Herrhausen, Deutsche Bank's already planned acquisition of Morgan Grenfell investment bank in London became a Trojan Horse in Germany for the City of London's deregulated financial empire. A geopolitical scourge hit: Western Europe was locked into the cage formalized with the 1992 Maastricht Treaty, and Russia and the East were decimated by shock therapy, while London and Wall Street-based banks, and eventually including Deutsche Bank, began their Icarus-like flight into the speculations that collapsed in 2007 and 2008.

Founded in Berlin in 1870, Deutsche Bank quickly became a part of the financing of Germany's industrial buildup, which took off when Chancellor Bismarck in 1879 explicitly adopted the protection-for-industry policy promoted within Germany by Abraham Lincoln's "American System" economics advisor, Henry Carey. After World War II, banks on the continent, including Deutsche Bank, continued to serve such traditions, using the techniques of New Deal and wartime President Franklin Delano Roosevelt, to reconstruct the continent. The Marshall Plan-backed Kreditanstalt für Wiederaufbau (KfW—Bank for Reconstruction) shaped the regulated environment for private banks to become servants for investment in the real economy.

Then Destruction

Today, Deutsche Bank is one of the most highly leveraged banks in Europe—in the fourth quarter



Former Deutsche Bank head Alfred Herrhausen was assassinated by terrorists in 1989; he had proposed a Marshall Plan-style development policy for the former East bloc nations.

2011, 40:1, depending on the accounting standards used. From 2006 to March 2011, its balance sheet massively expanded by 40%, to \$2.9 trillion. Only 11% of its so-called assets are actual loans to companies, hardly qualifying it as a bank.

And how did Deutsche Bank expand in the midst of the financial crisis? According to a July 2011 U.S. Congressionally mandated Government Accountability Office (GAO) study of government bailouts, the Federal Reserve Board of New York poured \$16 trillion (!) in emergency loans into U.S. and European banks between December 2007 and July 2010. In almost all Fed bailout categories, of the European banks being rescued, Deutsche Bank was at the top, often only just

behind the de facto nationalized Royal Bank of Scotland.

A similar "safety net" of Fed and European Central Bank (ECB) printing-press cash for the banks continues to this day. With world derivatives trading concentrated in London, Deutsche Bank's leading foreign exchange trading role, and related derivatives, puts it at the top of the ten banks in London that dominate 90% of the City's 46% share of the world's \$700 trillion of notional value derivatives. Deutsche Bank is a monster looming over Germany.

President Franklin Roosevelt used a combative New York City prosecutor, Ferdinand Pecora, to go after Wall Street for the U.S. Senate's 1933 investigation of the Great Depression. This opened the way for the imposition of Glass-Steagall banking separation, and other New Deal policies. With prosecutors on the move against Deutsche Bank, the only question is whether the German Bundestag can find a Ferdinand Pecora.

Deutsche Bank is neither "Deutsch" nor a "bank." It is a London- and New York-based hedge fund, using virtually free central bank money in the "markets" to back its gambling ventures. When the central bank hyperinflationary printing press "safety net" goes down, Germany has only one choice. This is something Alfred Herrhausen would have understood.