Einstein Was Right: Only a Fool Keeps Repeating His Mistakes

by Helga Zepp-LaRouche

Sept. 30—That German Chancellor Angela Merkel, in spite of crushing losses for the parties of her Grand Coalition, said, “I don’t see what else we should have done,” points to a very common problem in the trans-Atlantic, neo-liberal Establishment, including Hillary Clinton. And maybe Mrs. Merkel even believes it: When someone is so totally convinced of the legitimacy of his or her remaining in power as an end in itself, it never occurs to that person that there is a deeper lawfulness which, when violated, takes revenge, and that there are completely different options for how history could develop.

This Establishment operates on the principle of “more of the same.” In that regard, Einstein commented that to keep doing the same thing and expect different results is the very definition of insanity. But, given the acute danger of a new financial crisis, much worse than that of 2007-2008, that is extremely worrying.

If former CSU head Franz Josef Strauss could see the maneuvers of his party today, he would feel totally vindicated in his exasperated statement that the comparative of “enemy” is “deadly enemy,” and the superlative is “fellow party member.”

As for the SPD? Is it willing to reflect on why it was got the worst results since the Bismarck era, while Jeremy Corbyn and the Labour Party in Great Britain had the largest increase in votes since 1945? Obviously not. That is shown by the fact that the SPD describes Andrea Nahles, who as Labor Minister toughened the Hartz4 labor law, as the “left-wing of the party,” and plans to appoint her head of the SPD parliamentary group. [Hartz4 forces the unemployed to take jobs at as little as $1.18 a day.]

Those who present themselves as the “saviors of the EU” are just as detached from reality, be they EU Commission head Jean-Claude Juncker, EU Council president Donald Tusk, or French President Emmanuel Macron—whose timing for his speech on the future of the EU on Sept. 26 proved to be worse than unfortunate, in light of the election results in Germany. [Among the measures Macron proposed were an EU Finance Minister and an EU budget.]

Given the Alternative for Germany’s (AfD) election results, it can hardly be expected that the conservative wings of the CDU/CSU and the FDP will be persuaded
to accept such new EU designs, which would give the AfD more momentum, and threaten to cost the German taxpayers even more. The attempt to perpetuate a system that seeks to defend the privileges of the few at the expense of those who have little with which to defend themselves, can and will not work.

Now there is an attempt to form a “Jamaica coalition” among the CDU/CSU, FDP, and Greens, whose party colors (black, yellow, green) correspond to those of the Jamaican flag. But given the fundamental political differences among the three parties—concerning a cap on refugees, financial policy, relations with Russia—it could take months before such a coalition could be formed, or even a new Grand Coalition, perhaps without Angela Merkel this time. But long before that could happen, a new financial crisis could break out, which would suddenly put the “state of emergency” which SPD politician Thomas Oppermann recently said has not “yet” arrived, on the agenda.

A Crisis Worse than 2007-8

Shortly before the Federal elections, Deutsche Bank published a report with the title “The Next Financial Crisis,” which included a clear warning: “We are rather certain that there will soon be either a new financial crisis or a financial shock.” Similar warnings are piling up—from Spiegel and Die Welt, the former Italian Economics and Financial Minister Giulio Tremonti, the Adam Smith Institute, and even 15 German and French economists, among them Clemens Fuest of the Institute for Economic Research (IFO) and Marcel Fratscher of the Berlin Economic Research Institute (DIW). They are all speaking of the immediate danger of a repeat of the crisis of 2008.

In reality, the entire trans-Atlantic financial system is like a minefield, where there are dozens of potential detonators. One of them is the indebtedness of American corporations. Thanks to the zero interest rate policy of 2010 to 2016, American corporations’ indebtedness has risen from 7 to 14 trillion dollars, and in the current year alone, by 800 billion. These debts have already been bundled by Wall Street banks again into the notorious collateralized loan obligations (CLOs), with whose help these already worthless junk bonds will be resold.

Bloomberg wrote on September 26 that nothing is stopping these corporations from issuing these junk bonds simultaneously to two, three, or more investors, thus putting themselves in a position where they cannot pay. If these companies then go bankrupt, the losses are by no means factored in, as the analysts like to describe it, euphemistically. When the toy company Toys ‘R Us recently went bankrupt, the market price of its approximately 5 billion shares collapsed to only 20 cents on the dollar, not the 40 cents on the dollar which the investors had anticipated.
But the Italian banking crisis (which the ECB, in panic over the threat of systemic collapse, allowed to be dealt with once again by forgetting the oft-cited “rules”); the impact of a possible secession of Catalonia from Spain on the Eurozone; the unmarketable “level three derivatives,” as well as the total indebtedness of states, car dealers, U.S. students, or a huge “credit incident”—these are all only different aspects of the same problem. That is that this casino economy based on maximizing profits, which nearly hurled the world into chaos in 2007-8, today stands on the edge of a new, even more dangerous collapse, because all the “instruments” of the central banks—such as money printing and even negative interest rates—have been exhausted.

Perhaps the resignation of Wolfgang Schäuble as Finance Minister has something to do with the fact that he understands the complete mess which he is leaving behind.

One may assume that the various “saviors of Europe,” who are demanding a European finance minister and a European budget—as well as the economists who are calling for an urgent reform of the EU—also understand the state of the financial system. That is why they have very concrete proposals as to how the burden is to be passed, through a combination of bailouts (to the taxpayer), bail-ins (to bank customers), and transfer payments (to German savers). The results of any such a scenario would be absolute chaos.

Glass-Steagall Is Urgent

There is only one other realistic alternative. Since President Trump has begun to circumvent his neo-con opposition in the Republican Party by working with Congressional Democrats to tackle overall budget questions, such as emergency assistance for the states destroyed by hurricanes, chances have grown that he will make good on one of his election promises: the reinstatement of Glass-Steagall banking separation. The Sept. 26 webinar, organized by Public Citizen and the Democratic Party group spun out of Bernie Sanders’ campaign (Our Revolution), hosted by the AFL-CIO, and featuring remarks by Congressional representatives Marcy Kaptur and Walter Jones, was very encouraging in this respect.

The immediate introduction of Glass-Steagall—that is, the separation of commercial and investment banking, the writing-off of unpayable outstanding contracts, as well as the eventual creation of a credit system based on financing the physical economy, rather like the tradition of the German Reconstruction Finance Corporation (Kredit Anstalt für Wiederaufbau) after the Second World War—is the only chance to avoid a disaster.

Chinese President Xi Jinping has often offered all nations cooperation with the new, rapidly developing economic and financial model of the New Silk Road. Instead of trying in the old geopolitical manner to contain China and its Belt and Road Initiative—an effort that won’t succeed anyway—Germany and the other European nations should participate in the many building projects underway: the construction of infrastructure in East and Central Europe and the Balkans, and the construction of Silk Road hubs in Greece, Italy, Spain, and Portugal. The economic reconstruction of Syria, Iraq, Afghanistan, and above all, the entire African continent offers a fantastic perspective—for German small and medium-sized industry, and for the productive full-employment of currently jobless youth all over Europe.

The necessity for reorganizing a bankrupt financial system—the system which is responsible for opening the unbearable chasm between rich and poor, and whose injustice has prepared the ground for Brexit, the defeat of Hillary Clinton, the “no” in the Italian referendum, and now the miserable election results of the Grand Coalition—should not be so hard to recognize. The economic devastation of the new (eastern) Federal states, which the policy of the Treuhand under Birgit Breuel began, was the expression of an unjust system. Without this experience, the depopulation of whole villages, and the feeling of having been shoved to the very edge of society, despite the renewed town squares, the reaction in Eastern Germany to the refugee crisis would never have been so strong, and the AfD would not now be the strongest party in Saxony and the second strongest in the other four new federal states in the East.

Despite ongoing censorship by the mainstream media, a totally new economic system is growing, one which rests on totally different principles, namely on the common welfare of mankind and “win-win” cooperation among participating nations. It is in Germany’s most essential interest to cooperate in this new paradigm.

Einstein was right: “One can never solve problems with the same kind of thinking that created them!”