The mighty German economy: Why is it failing now?

by Susan Welsh and Lothar Komp

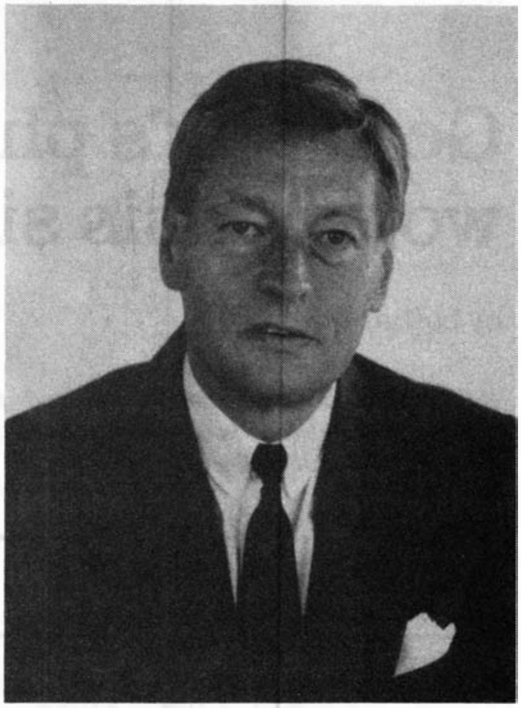
The industrial powerhouse of postwar Europe, the German economy, is going bankrupt. Some aspects of this process have been going on for quite some time, such as the spread of "green" anti-technology brainwashing, the shutdown of the nuclear energy industry, and the demographic shift toward zero population growth. But the most dramatic changes have occurred quite suddenly, since the assassination of Deutsche Bank head Alfred Herrhausen on Nov. 29, 1989, after the collapse of the Berlin Wall.

In *EIR*'s issues of Aug. 25 and Sept. 1, we published portions of a German-language study of the nation's economic disintegration, prepared by EIR Nachrichtenagentur in Wiesbaden, Germany. In the *Feature* package that follows here, we present another section of the study, documenting the collapse of the physical economy in selected areas.

The breakdown of Germany's economy is the result of the abandonment of the methods of national banking, which directed credit to industrial development to rebuild the shattered economy after World War II. Such a banking policy is associated with the name of the late Hermann Abs, chairman of Deutsche Bank and the dominant figure in postwar German banking and industry. Alfred Herrhausen was Abs's protégé, who in June 1989 put forward a bold initiative for dealing with the Third World debt. The excessive debt burden, he said, was not only a danger to the developing countries themselves, but also to their creditors, notably to certain large American and Japanese banks. Herrhausen proposed that the heavily indebted countries be given a five- to seven-year breathing space, during which time their industries would be built up.

In September 1989, Herrhausen repeated his proposals at the annual meeting of the International Monetary Fund in Washington. He outlined a plan to create, outside the control of the IMF, a Polish Bank for Reconstruction, modeled on the Kreditanstalt für Wiederaufbau, West Germany's postwar credit institution for reconstruction.

Helga Zepp-LaRouche, the president of the Schiller Institute in Germany, com-

The historical tradition of pro-industrial bankers in Germany, represented by the late Herman J. Abs (left), longtime chairman of Deutsche Bank, is now being replaced by "Anglo-Saxon banking culture." On the right is Dr. Alfred Herrhausen, a successor to Abs at Deutsche Bank, who was murdered by terrorists a few weeks after the fall of the Berlin Wall. The precipitous demise of the German economy can be dated from the assassination of Herrhausen.

mented on Herrhausen's proposals, in *EIR* of April 3, 1992: "There can no longer be any doubt, that had Herrhausen's policies prevailed in Bonn, the extraordinary historic opportunity which existed with the opening of the borders, would not have been frittered away as carelessly as it has been in the main. The relationship between East and West established at Yalta, could have been put on an entirely different basis, to the benefit of all participating nations. Not only would economic cooperation have developed the East, but it could have stimulated the entire world economy, which instead is now threatened with global depression."

But with Herrhausen's death, and the assassination on April 1, 1991 of Detlev Rohwedder, the head of the Treuhand agency responsible for the reorganization of the State-owned companies of former East Germany, this orientation was thrown out, on the demand of George Bush, Margaret Thatcher, and the British free-market maniacs.

As a result, reported the daily *Frankfurter Allgemeine Zeitung* on Sept. 11, 1995, "Deutsche Bank, as it has been known for many years, will soon no longer exist." This is the belief of Deutsche Bank board members Hilmar Kopper, Ronaldo Schmitz, Ulrich Cartellieri, and Rolf-E. Breuer. The main intention of Deutsche Bank board members today is "to compete with the best in the market" in every sector of banking: to compete with Morgan Stanley and Goldman Sachs in investment banking, for example. "The board members, as well as their colleagues in other banks, are obviously convinced, that this task can be mastered with an Anglo-Saxon banking and management culture. This cultural revolution from the top has now to be implemented also in Germany in every bank office, every nook and cranny."

Not only are "Anglo-Saxon" methods taking over Deutsche Bank, but British employees are getting more and more influence in the hierarchy. Investment banking, for example, has its own board, including John Craven, Michael Dobson, Schmitz, Breuer, and Cartellieri, but only Craven and Dobson are chief executives. In stock market analysis, the German team at Deutsche Bank Research will probably be replaced by former employees of S.G. Warburg. Many enraged senior Deutsche Bank employees are leaving.

Lyndon LaRouche was asked to comment on the *Frankfurter Allgemeine* report, in a radio interview on Sept. 13. "What happened after the assassinations of Herrhausen and Rohwedder," he replied, "and the capitulation of the German State, and banking system, to British doctrine, was that the German banking system was transformed from the strongest in the world, in its policies, to a piece of garbage. You see the crisis at Mercedes-Benz; look at whole sections of German industry which have *disappeared* since 1989, as a result of the Thatcher-Bush policy. Look at the crisis in eastern Europe; nothing is working. Look at the crisis in Russia, in Ukraine, around the world. The German banking system, when it says that it's going to be British, means it's planning to bury itself. And we can't accept that. Germany has to go back to industrial banking and an industrial nation, otherwise the whole thing goes under."