Hans Tietmeyer's 'New Social Market-Economy Initiative'—Cui Bono?

by Elke Fimmen

In the present world financial crisis and the depression in the real economy, the simple question is: What comes first—the financial interests of the oligarchy, who want to overcome the crisis at the expense of the population, or the principle of the General Welfare, which obligates sovereign governments to care for the human beings entrusted to them?

The New Social Market-Economy Initiative (INSM) and the Citizens Assembly are among the organizations which call for the "radical reconstruction" of Germany against an economic policy oriented towards the General Welfare. Who hides behind these obviously financially well-endowed coalitions and their multifarious propaganda activities for the dissolution of Germany as an industrial nation, and the destruction of the once exemplary German social-state model (that is, a state concerned with the General Welfare of the population)?

We begin with the president of the board of trustees of the INSM, Hans Tietmeyer. As president of the Bundesbank during 1993-99, he played a decisive role in the passage of the wretched "stability criteria," which set into motion in all of Europe a spiral of catastrophic fiscal austerity. And in the case of Argentina, Tietmeyer participated prominently in the debt collection policy of the International Monetary Fund (IMF), in the interests of the private creditors. In this way, this land, which was once the richest in Ibero-America, was plunged into misery. A similar fate awaits Germany and Europe, if the European Union's present Maastricht Treaty austerity policy is continued.

An "Economic Cultural Revolution"—that is exactly what the INSM, which was founded in October 2000, demands, basing its argument on the "altered structural conditions of globalization." The slogans of the INSM and its leading representative Tietmeyer are: "personal initiative, performance readiness, competition." Under the altered conditions of financial globalization, a new variant of capitalism is needed—precisely the "new social market-economy." But, there is no longer anything social about it. In reality, the INSM, under the guise of reform, is engaged in shattering the well-established German social and economic system.

For this purpose the INSM uses a list of propaganda slogans, which are religiously repeated: "Jettison unnecessary padding"; "break up firmly established structures in the economic and social system"; "concentration of the state on its core competency"; or "job creation meets social criteria." In this connection, there is no discussion of what kind of jobs these are, and under what conditions the workers must labor.

The creed of the INSM is "flexibility"—in respect to working hours, working conditions, and wages. "Bureaucratic obstacles" in work, social, and tariff regulations should be removed. "New freedom for private initiatives for citizens and businesses" should be created through "less bureaucracy." Also, "more competition, more efficiency, and speed" must be aimed at in the area of education.

The INSM sees itself as a "platform overlapping departments and parties." Officially, the INSM is supported by the managers associations of the metal and electrical industries, and additional leading economic associations. The INSM is "guided scientifically" by the Institute of German Economy in Cologne, a subsidiary of the employers' association.

Hans Tietmeyer, as the president of the Board of Trustees of the INSM, does not tire in stressing, that the previous reforms in Germany do not suffice: In respect to health-care reforms, "more competition" is needed, which is directed against the public health insurance holder. Insurance for nursing care must be "supplemented by more capital provided by the user," and the legally required pension insurance fund must be further privatized.

In the last "Ludwig Erhard Lecture" of the INSM in October 2004, Lord Ralf Dahrendorf, the congenial "enlightened neo-liberal," spoke before 400 guests in the Berlin branch office of German Telekom. Dahrendorf, a member of the British House of Lords, proclaimed that the system of social security in Germany overcharges the tax payer and must be fundamentally reformed. For him, the "old social market-economy has become outdated." In its place, the Lord offered empty words like "a high degree of individual choice and decision" for the citizen. Those many employees of Telekom, whose future pension rights are just becoming the subject of desperate searches for short-term liquidity by the Federal government, will ask themselves what these statements might mean for their future.

Parallels to the Early 1930s

The modus operandi and program of the INSM unfortunately remind one of the early 1930s, when the "liberal" Hjalmar Schacht organized the networks in German industry

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Hans Tietmeyer is President of the Board of Trustees of the New Social Market-Economy Initiative, a propaganda arm for privatizing what has been the German government's role in regulating banking, health care, and social security, for example. Tietmeyer was President of the Bundesbank (Central Bank) in 1993-99, and became Vice President of the Bank for International Settlements, and a member of the advisory board of Lazard Frères Germany, in 2003.

and the financial world, which mobilized against the only way out of the economic depression—the Lautenbach Plan for expanding credit for industry, infrastructure, and jobs. Schacht and his supporters in Germany acted on behalf of their international sponsors, the financial circle around Montagu Norman of the Bank of England, and Franklin Roosevelt's opponents in America like the families of Morgan, Mellon, Harriman, and Prescott Bush—grandfather of the current American President.

Today we are faced with exactly the same alternatives: solving the world economic crisis through dirigistic policies by governments based on the principle of the General Welfare, or brutal austerity policies with the collapse of living standards. The latter will have the same political consequences now, as happened then under fascism.

Not entirely accidentally, among the self-proclaimed "ambassadors" of the INSM is one Prof. Arnulf Baring, who distinguished himself with his demands for "emergency decrees" in times of economic crisis, and wants to see the basic constitutional law changed accordingly.

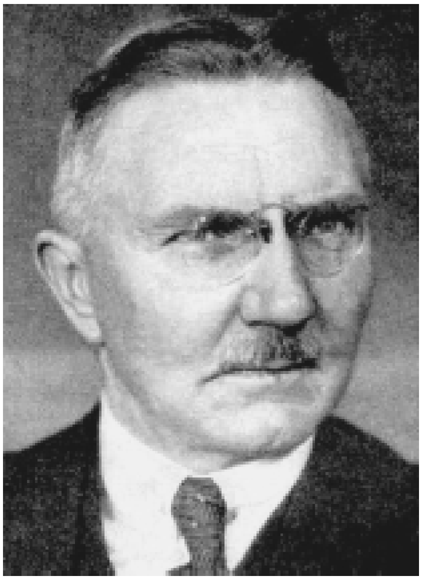
A closer examination of the person and the actitivies of Hans Tietmeyer points to further unfortunate parallels between the present crisis situation and that of the early 1930s, which have been noticed even by former Chancellor Helmut Schmidt. In the Nov. 8, 1996 edition of *Die Zeit,* Schmidt published an "Open Letter to Hans Tietmeyer," in which he wrote: "Did not the administration of the Reichsbank, your predecessors, already once before in 1930-31-32, plunge us into the misfortune of mass unemployment, with grave political consequences?"

From 'Lambsdorff Paper' to 'Stability Pact'

Born in 1931 in Metelen, in the state of Westphalia, Tietmeyer first studied Catholic theology, and then economics and social sciences at the universities of Munster, Bonn, and Cologne. After his graduation in 1960, he worked first in Church administration. In 1962, Tietmeyer became an advisor in the Federal Economics Ministry. In 1967, he became the leader there of the Central Planning Department under Karl Schiller, who was then the Economics Minister, and finally, beginning 1973, leader of the Economic Policy Department. From 1977, Otto von Lambsdorff, who was then the Economics Minister, was a patron of Tietmeyer.

As co-author of the famous "Lambsdorff Paper" Tietmeyer played an essential part in the dissolution of the Social Democratic Party (SPD)-Free Democratic Party (FDP) government coalition under Chancellor Schmidt. In the Nov. 8, 1996 issue of *Die Zeit,* Schmidt characterized the neoliberal Lambsdorff Paper thus: "Lambsdorff wanted to turn away from the democratic social state [state concerned with the General Welfare] as intended by Article 20 of our basic constitutional law, and to turn toward a society in which each jabs the other with his elbow."

This political economic "reprogramming" of Germany, in which Tietmeyer played an active part, took place at the same time as the economic and social shock therapy under Margaret Thatcher in England, and the deregulation of the U.S. economy during the time of Ronald Reagan's government, immediately after the high-interest-rate shock of the U.S. Federal Reserve in 1979 under Paul Volcker. As Economics Minister from 1977-84, and afterwards as the Euro-



Nazi Economics Minister Hjalmar Schacht assembled the circle in German industry and finance which organized support for Hitler; they opposed the Lautenbach Plan, which could have revived the German economy and prevented the Nazi takeover.

pean president of the Trilateral Commission, Graf Lambsdorff distinguished himself by pushing ahead with monetarism and deregulation, and by combatting the social state and dirigism in Germany.

As State Secretary in the Federal Finance Ministry from 1982, Tietmeyer was responsible for the principal questions of finance and monetary policy, and for questions of the European Community. In 1988, there was a failed attempt on his life by the Red Army Faction, which was claimed to be because of his activity as a delegate to the IMF and World Bank. Finally, after 1989, Tietmeyer played a leading role in the negotiations for a unification treaty between the Federal Republic and East Germany. In 1990, he joined the board of directors of the German Bundesbank; in 1991, he became its vice-president. Then, from 1993-99, he was the president of the Bundesbank.

Europe of Banks and Cartels

Between 1990 and 1999, Tietmeyer played a decisive role in European Union (EU) politics, in the negotiations over, and implementation of, the Maastricht Treaty. Then-Chancellor Helmut Kohl was pressured to accept the Maastricht Treaty, with the public lead for this taken by French President François Mitterrand and the British, who told Kohl that they would not go along with early reunification of Germany unless Germany accepted Maastricht. The treaty, which was signed in February 1992, was in itself already bad enough, for it robbed Germany and the other European states of their sovereignty with respect to economic and financial policy to a great extent, and it would create a supranational "independent" European Central Bank.

Tietmeyer played a key role, along with then-Finance Minister Theo Waigel, in making the Maastricht Treaty even worse, with the so-called Stability Pact of 1997. The Stability Pact stipulated that the total public indebtedness of a country could not be over 60% of the GDP and the annual domestic deficit not more than 3% of the GDP. These arbitrary conditions were established as a pre-condition for participation in the common euro currency.

Tietmeyer also wanted the political union of the European Union as quickly as possible, in order to be able to also effectively carry out the critical austerity measures made necessary by the stability criteria in the EU member nations. This objective is advanced today under the slogan "economic governance" of the EU. Ultimately, this involves nothing less than the creation of a supranational political decision-making authority for Europe, which would conclusively turn the sovereignty of the EU member-nations into waste paper. Ultimately, only the more powerful private financial and economic interests—in the name of acting according to "economic restraints"—would politically have a say, instead of representative governments of cooperating national states in the EU. This would then be the "post-modern EU Empire," of which the British ideologue Robert Cooper is wont to dream.

Tietmeyer and Theo Waigel—who, incidentally, is active today as a lobbyist for the Swiss banks in Berlin—were especially interested in the "primacy of the independence" of the newly created European Central Bank (ECB), as well as the existing national central banks. The first ECB chief, Wim Duisenberg, made that very clear in his laudation for Tietmeyer and Waigel, when both were honored with the Hermann Ehlers Prize in 2003.

The supposed "independence" of the Central Bank is the decisive control mechanism for private financial interests, which historically in Europe has been installed as an authorative instrument against an ecomomic policy of sovereign governments oriented toward the General Welfare. Above all, the possibility of productive, non-inflationary credit creation by the state, which is firmly stated in the U.S. Constitution, was excluded by Maastricht as a method of determining of economic and financial policy.

Tietmeyer played a decisive role in the elaboration of the precept of the "independent" European Central Bank. While there is not a word in the basic constitutional law about the independence of the Bundesbank, the independence of the ECB is explicitly referred to through a supplement to the basic constitutional law in the 1990s.

Schmidt Attacks Tietmeyer

The Civil Rights Movement Solidarity party (BüSo), associated with Helga Zepp-LaRouche, from the beginning has vehemently rejected Maastricht and the Stability Pact, and exposed its geopolitical background and catastrophic economic consequences. Interestingly, Helmut Schmidt, although himself an energetic promoter of the introduction of the euro, has nonetheless sharply attacked the Stability Pact and Hans Tietmeyer. Schmidt's already mentioned "Open Letter to Hans Tietmeyer" in *Die Zeit* on Nov. 8, 1996, is highly revealing from today's standpoint. The Maastrich Treaty deficit and debt criteria, which were arbitrary and never justified—but declared by Tietmeyer as "absolutely binding"—stood in clear opposition to the European Monetary Union (which had been supported by Schmidt), as well as to the mandate of the Bundesbank.

In his "Open Letter to Hans Tietmeyer," Schmidt pointed to Tietmeyer's responsibility for the destruction of the European Monetary System (EMS), which functioned well from 1979 until 1992. The Bundesbank, of which Tietmeyer had been a member of the Board of Directors since 1990, had followed a course of high interest rates after the monetary expansion policy following the reunification of Germany, but then had declined to agree to raising the deutschemark exchange rate in the EMS, which this monetary expansion had made necessary. Instead, the EMS was totally abandoned, in that the band-width for exchange-rate variations was extended around six-fold, to 5%. International speculators like George Soros did their part with speculative attacks aimed at the British pound and the Italian lira. With this, the EMS and its internationally acknowledged ECU unit of account effectively came to an end.

What Schmidt does not say, is that the targetted destruction of the EMS as a whole opened the door to the introduction of the supranational euro, and to the control by the supranational financial circles—by means of the "independent" European Central Bank—over the monetary and economic policy of the individual EU states.

Schmidt wrote that the Bundesbank is "not a state within a state," but rather, according to Paragraph 12 of the Bundesbank law, is obligated "to support the universal economic policy of the Federal government." The Bundesbank did the opposite: It constantly demanded cuts in the household and social budgets, and it brought the German economy into danger. Interestingly, Schmidt refers to the legal force of the stability and growth laws of 1967, which are also binding for the Bundesbank. The BüSo has always insisted that the responsibility to enforce the stability and growth laws should be applied.

Helmut Schmidt, back in 1996, maintained that the continuing high-interest-rate policy of the Bundesbank under Tietmeyer, and the ensuing international high value of the deutschemark, were primarily responsible for the increase in German labor costs. Schmidt identified these policies, instead of German labor production costs being too high, as some claimed, as the real reason for the debate initiated by some industrialists about "production costs being too high in Germany." Because of the continuing high-interest-rate policy of the Bundesbank under Tietmeyer, and the up-valuation of the deutschemark—forced through with the argument that the deutschemark was a "strong anchor currency"—"entire

Former West German Chancellor Helmut Schmidt wrote to Tietmeyer in 1996: "Did not the administration of the Reichsbank, your predecessors, already once before in 1930-31-32, plunge us into the misfortune of mass unemployment, with grave political consequences?"

branches of German industry had disappeared" and more and more jobs were transferred to eastern Europe and Asia. Schmidt ended with the aforementioned dramatic reference to the "deflationary ideology" of the early 1930s and its "grave political consequences."

The devasting deflationary policy of the Reichsbank in the early 1930s had been brought into operation by Reichsbank President Hjalmar Schacht, and was first changed at the end of 1932 under Chancellor von Schleicher—when it was already too late. Since 1930, Schacht had actively sabotaged the Lautenbach Plan after his resignation as Reichsbank president, and organized support for Hitler in German and Anglo-American economic and financial circles. After the 1933 seizure of power, Schacht became Hitler's Reichsbank president and Economics Minister.

In close cooperation with these Anglo-American financial circles, Schacht also played a key role in founding the Bank for International Settlements (BIS) in Basel, Switzerland, which officially began its activity in 1931. In the 1930s, and during the entire Second World War, the BIS was the international control center between the leading financial circles of fascist continental Europe and the Anglo-American financial oligarchy. Even after Schacht had stepped down from his positions as Reichsbank president and Economics Minister from 1937 to 1941, he was still active in the BIS. In the history of the 20th Century, the BIS played a prominent role as the international control center of synarchist financial circles.

Tietmeyer, the BIS, and Lazard Frères

Tietmeyer's career did not end with his resignation as Bundesbank president in 1999. We have already described his activities with the New Social Market-Economy Initiative. In March 2004, Tietmeyer also took over the chairmanship of the board of directors, and stockholders commission of Hauck & Aufhäuser Private Bankers, KGaA.

But more interesting is the fact that in June 2003, Tietmeyer was appointed vice president of the BIS. Obviously his experiences—from the "Lambsdorff Paper" to the "Stability Pact"—remained very much in demand among the international financial elite.

In July 2003, Tietmeyer became a member of the advisory board of the investment firm Lazard Frères Germany, whose chief, John Kornblum, was a former U.S. Ambassador in Ger-

Who's Who in 'New Social Market-Economy Initiative'

Trustees

President: Prof. Dr. Hans Tietmeyer

Prof. Dr. Michael Hampe, director, producer, actor

Prof. Dr. Michael Hüther, Director, Member of the Presidency of the German Economics Institute (IDW), Cologne

Martin Kannegiesser, President, Metals Industry Employers Association

Oswald Metzger, Green party Financial Expert

Randolf Rodenstock, Chairman, AR Rodenstock GmbH

Dr. Hans-Dietrich Winkhaus, President, German Economics Institute (IDW), Cologne

Ambassadors

Prof. Dr. Hans-Wolfgang Arndt, Dean, Mannheim University

Dr. Hans D. Barbier, economics publicist; Chairman, Ludwig Erhard Foundation, Bonn

Prof. Dr. Arnulf Baring, political scientist, historian, publicist

Prof. Roland Berger, international business advisor

Prof. Dr. Christoph Burmann, Foundation Professor of General Business Administration, specializing in Innovative Brand Management, Bremen University

Prof. Dr. Jürgen B. Donges, Professor of Political Sciences, Cologne University; Director, Institute for Economic Policy

Dominique Döttling, Executive Partner, Döttling & Partner Beratungsges, MbH, Uhingen

Marie-Luise Dött, Member of Federal Parliament (Christian Democratic Union); Chairwoman, Federation of Catholic Businessmen (BKU)

Prof. Dr. Johann Eekhoff, State Secretary (ret.); Political-Economic Seminar, Cologne University

Dr. Michael Eilfort, Board of Directors, Market Economy Foundation/Frankfurt Institute

Dr. Habil Lüder Gerken, Board of Directors, Friedrich August von Hayek Foundation

Prof. Dr. Peter Glotz, Professor of Media and Society, St. Gallen University

Prof. Dr. Paul Kirchhof, Professor of Civil Law, Ruprecht Karls University, Heidelberg

Dr. Silvana Koch-Mehring, Member, European Parliament and National Board of the Free Democratic Party (FDP); Chairman, FDP European External Group, Brussels

Siegmar Mosdorf, Parliamentary State Secretary (ret.)

Dr. Arend Oetker, businessman, President, Founders Federation of German Science; Vice President, German Federation of Industries (BDI)

Prof. Dr. Karl-Heinz Paque, Finance Minister, Saxony-Anhalt; Deputy State Chairman, Saxony-Anhalt FDP; member, FDP National Board

Prof. Dr. Rolf Peffekoven, Director, Institute of Financial Science, Johann Gutenberg University, Mainz

Arndt Rautenberg, Director of Corporate Strategy and Policy, Deutsche Telekom AG

Christine Scheel, Chairwoman, Federal Parliament Finance Committee; Financial Policy Spokeswoman, Alliance 90/Greens Parliamentary Group

Prof. Dr.-Ing. Dagmar Schipanski, President (Christian Democratic Union), Thuringia State Parliament

Dr. Nikolaus Schweickart, Chairman of the Board, Altana AG

Prof. Dr. hc. Lothar Spaeth, Honorary Chairman, Jenoptik AG

Erwin Staudt, President, VfB Stuttgart (soccer club)

Prof. Dr. Ulrich van Suntum, Director, Münster Center for Applied Economic Research (CAWM), Münster University

Carl-Ludwig Thiele, Member of Federal Parliament (FDP); Deputy Chairman, Federal Parliament Finance Committee

Gunnar Uldall, Hamburg State Senator (Christian Democratic Union); Chairman, Hamburg Economic Council

Supporters

Ulrich Dietz, Chairman of the Board, GFT AG

Florian Gerster, former Chairman, Federal Unemployment Office

Jennifer Neumann, Chairman of the Board, Canto AG

Eva Mayr-Stihl, Deputy Chairman of the Board, Andreas Stihl AG & Co., Waiblingen many. Lazard Frères is one of the most important international investment houses, and has become number one in Europe in the lucrative field of arranging the merger and takeover of firms. In the 1930s and 1940s, Lazard Frères played an important role alongside Bank Worms in the synarchist movement of the leading financial circles of a Europe dominated by fascism.

Nowadays, Lazard Frères is portrayed as carrying out noteworthy activities in Germany. At the beginning of this year, it appeared in the headlines, when it was commissioned by the almost bankrupt city of Stralsund, to create the conditions for the sale of the city savings bank. This was a pilot project for the privatization of the public bank sector in Germany. Evidently they wanted to create a precedent to overturn the role of government in the banking sector of Germany. Fortunately the privatization of the Stralsund Savings Bank was averted for the moment, because of massive public protests.

Nevertheless, similar initiatives have reappeared everywhere, as in the case of the Christian Democratic Union (CDU) in Northrhine-Westphalia, which recently suggested the privatization of the savings bank. Is there perhaps a connection to Hans Tietmeyer here? Since 2000, Tietmeyer has been president of the European Center for Financial Services at the University of Duisburg, which is part of the Society for the Promotion of Credit and Monetary Research Centers, on whose Board of Trustees sit high-ranking representatives of the North Rhine-Westphalia Savings Bank and Clearing House.

The Lazard Frères financial house also became involved in the issue of the Argentine debt negotiations. And Tietmeyer was active here also. Since July 2002, he was a member of an Expert Commission advising the IMF on the Argentine financial situation. In September 2002, Tietmeyer cooly declared in an interview with "Welt Online" after his return from Argentina: "Argentina has slipped down into meaninglessness—and indeed has encumbered itself with debts, probably forever." Of course, he emphasized the necessity of an "independent" central bank in Argentina.

In May 2003, the German Defense Union for Bond Holdings e.V. reported on an Irish association, the Argentine Bond Restructuring Agency PLC (ABRA), which collected the Argentine loans of private investors and was supposed to issue certificates in exchange for them. The exchange process was supervised by an "international specialist committee under the leadership of Hans Tietmeyer."

Earlier, in 1982, Tietmeyer had worked on a similar project. At that time he took part in the "solution" to the Mexican debt crisis, representing the Federal Economics Ministry, and the Federal Republic of Germany, to the Organization for Economic Cooperation and Development (OECD). After discussions with the then-President of Mexico, José López Portillo, Lyndon LaRouche had in 1982 elaborated his "Operation Juárez" plan. The plan first provided for a debt moratorium for Mexico and other highly indebted developing nations. Second, the debt issue was to be used as a lever, in order to bring about a reform of the world financial and economic system towards a new, just world economic order. López Portillo began implementing the defensive measures proposed by LaRouche—moratorium and capital exchange controls—but was isolated because of massive pressure brought to bear by the international financial institutions upon Mexico and the other Ibero-American nations, and was forced to abandon the effort. Thus the very real chance for a new, just world economic order was ruined. Since then, the crisis of the world economy and the over-indebtedness problem have become far worse with every passing year.

Economy and Morality

In the present collapse phase of the global financial system, and the depression in the productive economy, the simple question is: What comes first—the oligarchical financial interests, or the principle of the General Welfare, the responsibility of sovereign governments to care for the human beings entrusted to them?

The General Welfare principle is the basis of Catholic Social Doctrine, as it is represented especially by Pope John Paul II. It is a scandal, then, that Hans Tietmeyer was named a member of the Papal Academy of Sciences in 1992, despite his neo-liberal ideology, which is fundamentally in opposition to Catholic Social Doctrine. It can only be explained by the influence of powerful financial interests and the old oligarchical families within the Roman Curia.

At that time, the name of Lyndon LaRouche, an economic scientist and fighter for a new, just world economic order, was also proposed for membership in the Papal Academy of Sciences. This was prevented by the same forces which pushed Tietmeyer into the Papal Academy. Since then, the economic and social condition of the majority of mankind has become for worse. In the face of sinking living standards and mass unemployment, the synarchist financial oligarchy is preparing to carry out the option of a new fascism. It is high time that the principle of the General Welfare in the sense of a new, just world economic order, be carried out instead. That is what the BüSo in Germany, together with the international LaRouche movement, is fighting for.

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