Editorial

Time for decisive action

At the March 29 Schiller Institute Conference on Development held in Washington, D.C., Helga Zepp-LaRouche pointed to the fact that European policymakers are far more realistic in recognizing the dangers of the present economic situation, than their counterparts in the United States.

The reader can contrast the general tenor of U.S. news coverage on any day of the past weeks, to a series of statements which appeared in the German press on April 4. But that is only one indication of the contrast. Obviously, such blindsidedness as we now see among U.S. circles is a danger not only to America but to the world as a whole, because of the unique position of the United States.

A statement by a leading German industrial organization painted a stark picture of how the fall of the dollar is undermining the German productive economy. If the dollar remains in the 1.35 to 1.40 to the deutschemark range, this will lead to the loss of 300,000 jobs in German export industries. For every 1% decrease in the dollar, there is a 0.5% decrease in German exports.

This same theme was expressed by the lead editorial in the daily *Bild Zeitung,* which ridiculed the idea that the dollar had reached a floor in its decline. Questioning whether the United States is seriously trying to support the dollar, the editors noted that while experts are claiming that the slide cannot go much deeper, speculators are having the last laugh. Calling the Bundesbank (central bank) efforts to back the dollar courageous but futile, they remarked that the dollar is not funny money, nor play money in a monopoly game. The dollar is the anchor for jobs and prosperity for the whole world, and if it is not stabilized soon, then the crash will come.

Volker Hölterhoff, a leading economist for the Bayriche Hypotheken Bank in Bavaria, gave a clear and concise analysis of the disastrous decoupling of finance from the physical economy in the United States. Taking 1978 as a turning point in the destruction of the Bretton Woods System, he described how the American dream of prosperity was shattered.

In 1985, he said, the myth of the success of Reaganomics exploded. The creation of money on an unprecedented scale led to the globalization and liberalization of financial markets internationally. In 1989 and 1990, the United States was again forced to create money on a large scale in order to finance the rising deficit and to bail out the savings and loan institutions.

Now, he said correctly, the world is paying the price for political decisions made in order to defer the crisis in the short term, and the whole of the American economy has been turned away from production to become instead a huge "asset-management company." Wealth is measured in terms of assets and financial performance, rather than in terms of productive resources, by those who would delude themselves that the ongoing depression is prosperity.

This trend is particularly evident in U.S. financial markets, which no longer have any relationship to the real economy. The players in the financial market refuse to face up to the inevitable—the fact that their financial investments are about to become worthless, in part because the growth in real capital stock has not keep pace with paper values. The disaster is compounded because monetary policy is increasingly oriented toward ensuring the stability of oversized financial markets, although it frequently has the effect of compounding the problem by stunting real economic growth for a long time to come, in order to protect financial investments.

Our readers will recognize that Lyndon LaRouche warned of the emergence of precisely this kind of crisis decades ago. In his Ninth Forecast (see *EIR,* June 24, 1994), LaRouche outlined all of the features of the current financial collapse. Without a bankruptcy reorganization of the world monetary system, there can be no solution. A first step must be recognition of the extent of the present debacle.

We cannot afford the kind of hysterical optimism which insists that everything is under control, when in fact the global economic system is badly out of control. Now is the time when decisive action must be taken.