EIR Economics

The 'globaloney' is over!

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Back in the years 1989-1992, when "Thyroid Storm" wracked Washington, President George "Trilby" Bush declared himself virtual emperor of the world: at the direction of Margaret "Svengali" Thatcher. No more Soviet empire; nation-state not needed! Would-be "Lord of the Flies" George, and his playmates, called it "a new world order." Saner voices called it "globaloney." Then, came New Years 1997; the "globaloney" is over. No more "new world order." At least, no new world order as the Emperor George had imagined it.

Take the case of Germany, whose population today is in the same range as on the day George Bush's daddy, Prescott, switched around the Harriman-controlled funds in German banks, to bring Adolf Hitler to power. As Rainer Apel reported in last week's issue: Two weeks ago, Germany's employment office reported unemployment had reached the same numbers as Great-Depression years 1932-1933. Germany's actual level of unemployment is about 50% higher than officially reported, and zooming upward.

Meanwhile, as *EIR* has been reporting these events, during the recent several months' editions, an ominous wave of political mass-strikes has been building up: France, Belgium, Greece, Serbia, Bulgaria, South Korea, Albania, and, in this week's edition, the tell-tale fall, on Feb. 9, of the would-be Newt Gingrich of Ecuador, current ex-President Abdala Bucaram. In Germany, political strikes are also on the increase, as the savageries imposed under the Maastricht treaty threaten to end the nearly fifteen-year reign of Chancellor Helmut Kohl. Meanwhile, as shown in a Russia Academy of Sciences report, published in this present issue of *EIR,* Russia is a political bomb ready to explode.

Not only is the Second Great World Depression of the century fully on; like the 1930s, throughout most of today's world, the spreading, leading new phenomena are an overlay of political mass insurgencies against IMF, or Maastricht austerity, added to the already ongoing, increasingly powerful, waves after waves of financial earthquakes.

Meanwhile, inside the U.S., a false, but temporary political calm prevails on the surface. Underneath that deceptive calm, a massive political eruption is building up.

Life in 'hard times'

Until now, here, in the U.S.A., if *EIR* had used the word "depression" to describe the state of affairs, most citizens' abrupt, knee-jerk response would have been a glare of incredulity. Usually, that citizen's image of the 1930s Great Depression, is textbook photographs of long lines of grey-faced unemployed at open-air soup kitchens or shabby employment offices. Instead of "depression," try another word from the 1930s: *hard times.* With the change of terms, from "depression" to "hard times," a glow of recognition can be seen coming to the surface of the reflective hearer's facial expression.

Speak of the need for two to three jobs to support a household, and still to fall short of the real purchasing-power, in physical terms, of a household formerly living on one or one-and-a-half incomes, thirty years ago. Speak of the percentile of total after-tax household income taken by rent, or equivalent costs of home-occupancy. Speak of many added hours of costly commuting each week. Speak of costs of health-care, a life-and-death issue for many, and also, for many, the item in the family budget which drops the household below the welfare line. Speak of credit-cards loaded to, or near their limits, and all the other household debt, besides. Look at the decay of neighborhoods, or the "Potemkin Village" delusion which cloaks the economic reality of "gentrified" urban or suburban-"development" residential areas. Or, look at the accelerating collapse in quality of education at all levels.

These are "hard times." If the citizen is a pensioner, or approaching retirement, these are terrifyingly "hard times."

When did it begin? For many, it started about 1970, the time of the bankruptcies of both the Penn Central and Chrysler Corporation. It grew much worse during late 1971 and 1972, with the Nixon Administration's inauguration of those harsh austerity measures against working people, which were named officially "Phase I" and "Phase II." It grew worse about the time the government of Saudi Arabia exposed the efforts of the London petroleum cartel's U.S. Secretary of State, Henry Kissinger, to bring about the great oil-price hoax of the middle 1970s: under the impacts of artificial shortages of fuel, and prices suddenly jacked way up, real incomes of farmers, factories, and most ordinary working families dropped, suddenly, by a large margin. It grew worse, rapidly, especially for farmers, under David Rockefeller's and Zbigniew Brzezinski's President Jimmy Carter.

Carter's October 1979 appointment of Paul A. Volcker as Federal Reserve chairman, not only set up the nation's Savings and Loan banks for the looting which bankrupted them under the terms of the Bush-league Garn-St Germain bill. It wrecked the U.S.A.'s role as an agro-industrial economy. The Bush gang's "junk bond" piracy of 1982-1987, plucked the meat from the U.S. economic turkey; the 1988-1996 "derivatives" swindle grabbed the remains of the carcass. The "derivatives" bubble has transformed the world from a collection of economies, into what France's Nobel Prize-winning economist, Maurice Allais, has fairly described as a *Casino Mondiale,* transforming yesterday's economists, accountants, and bankers into today's gangland-style "bookies."

As the fact has been documented in earlier editions of *EIR:* If we measure "market baskets" in the combination of equal relative qualities of useful physical goods, plus equal relative qualities of necessary health-care, education, and scientific services, the average income of Americans, per employed member of the total labor-force, is approximately half what it was thirty years ago. Thus, two to three jobs are required today, to bring the family income up to something less than the standard of living which a comparable household achieved with one to one-and-a-half incomes thirty years earlier. This downward trend has been consistent, tending to accelerate greatly since 1987. Overall, since 1970, the U.S. economy has been contracting, per capita of labor-force, at a rate in excess of 2% per year.

Since about 1991-1992, the lower 80% of the U.S. family incomes have been sliding downward and deeper, into what the majority of our adult citizens must recognize, on reflection, as "hard times"—increasingly "hard times."

The delusion of U.S. economic growth

During the 1996 U.S. election-campaign, the joke was, that when President Clinton announced that so many millions new jobs had been added, the ordinary working-man with the loud voice, announced from the balcony: "Yes, and I am working three of them."

This plunge into "hard times" did not happen yesterday. Think: What is different about today's U.S. economy, as compared with the "hard times" of sixty-odd years ago? The differences lie chiefly in three factors of financial life and employment: 1) Access to a relative abundance of high-priced consumer credit, as typified by blown-out credit-cards; 2) As will be documented in the next issue of *EIR,* the involvement of nearly 40% of U.S. households in the high-risk mutual funds market, including households within relatively lower middle income to lower income-brackets; 3) The use of the monetary inflation created by wide reliance on high-priced loose credit, to create the market for a large ration of essentially "make-work," non-productive employment in the category of clerical and other unskilled services. Most Americans are going deeply into a high-priced debt, which, the saying goes, "they can ill afford," simply to pay one another for taking in each other's washing. The risk to those in the lower 80% of income-brackets is savage.

In addition to straight gambling of assets they can not afford to risk, on mutual-funds, a very large portion of the nation's pension funds are tied up in either very high-risk, or other risky financial-market ventures. Given, for example, the growing number of expert forecasts of a likely 20-30% drop in the U.S. and international securities markets, soon, the more highly leveraged investments in those markets could be wiped out by such a drop, while related nominal holdings of that sort would be savaged, if not wiped out altogether. In a collapse of the "derivatives" bubble—the looming "Big One"—all, pensions, and much else, would be vaporized. By all traditional standards of financial prudence, Americans in the lower 80% of income-brackets have no business risking their pensions and other savings in such high-risk markets.

Nonetheless, many take that risk. Their argument is, that they "can not afford" not to take that risk; they "could not afford" to invest in, for example, much safer, lower yield U.S. Treasury securities. The fear invoked by perceived necessity, is father to the wish. The fearful wish, in turn, is father to the delusion. The financial bubble is zooming near to the bursting point? "That's good; my investments are booming!" Showing a friend how they are able to borrow against their mutual fund investments, they wink: "Believe me, I don't know how I would get by without it."

There is an additional, crucial factor which prompts today's U.S. citizens to tend to blind themselves to the economic reality of their situation. There has been a fundamental change in values, from the generation which experienced the Great Depression of the 1930s, to the generations of adult Americans between 21 and 55 today.

As the so-called "Baby-Boomer" generation, has come to replace World War II veterans in the top-most positions of government, finance, production, and universities, the entire nation is suffering the impact of that switch, away from a productive, to that "consumerist" and "neo-Malthusian" outlook, which was embedded in the majority of the university population of "Baby Boomers" during the middle through late 1960s. These induced "cultural-paradigm shifts" of the 1960s, have been established as the hegemonic matrix for opinion-making, throughout most of society's institutions and population-strata today.

Most World War II veterans, and their parents, grandparents, and great-grand-parents—all the way back to President Abraham Lincoln, and to Benjamin Franklin, earlier, defined reality from the standpoint of production. Leading electronic and print news- and entertainment-media, political candidacies, and so on, show today's U.S. opinion tending toward Nazi philosopher Martin Heidegger's, and his lover Hannah Arendt's existentialist standpoint. It is the standpoint of the "me generation," which, like Heidegger, conceives of the individual as a kind of alien to society, "thrown" unwillingly into that hateful jungle, which is society. "My desires, my consumption, my possessions, my body, my opinion," color every experience with a literally pathological, existentialist fallacy of composition.

We should not be surprised, therefore, that Nazi Heidegger, his adored proto-Nazi forerunner Friedrich Nietzsche, radical conservative Friedrich von Hayek, and kindred existentialist types, are the preferred assortment of thinkers from among which to choose, within the philosophy curricula of universities and community colleges today.

The typical American, prior to the 1960s "paradigm shift," thought in terms of the necessary conditions for society's production of those products and services which were essential to family household and local community life. At least sixty percent of the labor-force was employed in "blue-collar" production operations. That American thought of himself, or herself, as both a producer and a consumer.

The 1960s radical youth-counterculture accomplished a mass-indoctrination of university and other youth in the lunatic view, that there existed a deep moral conflict between a class of predators, known as producers, and the white-collar, or unemployed classes, and the young children, which the producers allegedly "exploited," through playing upon the "victim's" sense of needs. Scratch one of today's "consumerists," and, often, the legacy of that 1960s radical youth-counterculture shows, beneath today's veneer of politically-correct social dogma.

That generational shift, from a productive, to a consumerist outlook, does much to account for the fact, that, up to a certain point, the suffering majority of the population will continue to tolerate, and even support the policies which have brought these increasingly cruel "hard times" upon them. A population which thinks from the standpoint of production, will look to increasing production, or increasing the productive power of labor, as the means for overcoming want, or increasing strength to resist other kinds of threats to national security.

However, the increasing eruption of political mass-strike ferment, inside Europe and elsewhere, demonstrates afresh, that there are limits to the ability of even deeply ingrained ideologies to control mass opinion. Throughout modern history, political mass-strikes, whatever their particular form of expression, represent a condition in which a growing majority, or near-majority of the population has lost all confidence in, not established policies, but, more profoundly, the ability of those in power to make any policy which does not worsen an already intolerable state of affairs. In short, people have ceased to trust the institutions which govern them, as we see in the U.S. today in the rate of abstentions of eligible voters from the most recent national election.

In western Europe, as in Russia, the threat of political explosions "from below" comes from the perception that those in power will willingly choose no policy less odious than that which is responsible for the existing, worsening pattern of grievous popular suffering. In western Europe, the goad to political mass-strike processes is governments' political suicidal stubbornness, in clinging to the Maastricht policy destroying those nations. In eastern Europe, it is the existing powers' stubborn submission to the geopolitically motivated, insane, "reform and democracy" dogma imposed by the Thatcher-Bush combination. Throughout the so-called "developing sector," the detonator of political mass-strike ferment, is the "IMF conditionalities," and kindred austerity measures.

All our readers are more than familiar with, and disgusted by that immoral agreement which has governed each and all of the League of Women Voters-supervised campaign debates. This has been an understanding reached on limiting the discussion to a listed of artificialized topics called "the issues." For the most part, the ostensibly approved selection of "issues" has no relationship to the realities of the nation's economy, foreign relations, or much of anything else important. The result is much passion expressed on the kinds of topics better relegated to the mythical sages of Jonathan Swift's fictional floating island of Laputa. The usual debater's point proferred by candidates in such debates, falls into the same general class of unreality as the doomed Queen Marie Antoinette's fabled, "then, let them eat cake."

When, under conditions of persisting, worsening, existential qualities of crisis, a government, and its leading political figures and parties, cling stubbornly to such irrelevancies as "the issues," the resulting despair may prompt a sorely frustrated, desperate populace to see no remedy but to rid itself of such political institutions. In such a crisis, when government will not bend, it will be broken. The eruption of rising waves of political mass-strikes, is the last warning, before desperation takes command. The next act in that drama, will bring dictatorship, revolution, sheer chaos, or some combination from among such alternatives.

In a perceived general Depression, or similar general calamity, the impulse which arises from within the populace, is the demand that "government do something." The populace abandons its former, uneasy toleration for Thatcher-Bush "Globaloney," or a Gingrich attempt to eliminate the relevant powers of government "to do something." The world of 1997-1998 does not belong to the Bushes, the Gingriches, the Lotts; what is already visibly building up around the world, and also in the "boondocks" of our U.S.A., will soon bring to an end the recent utopian, mayfly fads of "globaloney" and the "neo-conservatism."

Admittedly, often, in recent history, the very word "Depression" has excited a dangerous sort of deep political pessimism in populations. The rise of fascism to power in Germany was made possible by such Depression-caused moods. The crucial political, and economic question now, is: How do we take such terror out of the word "Depression"? In recent U.S.

history, the relevant word for optimism is "Franklin Delano Roosevelt." Modern history shows, that there is always a road to economic recovery; the word "Depression" must be used, but it must be used as a way of saying, that the time has come to scrap those misguided policies which have led us down the road to this mess, and to adopt, instead, the appropriate economic-recovery program.

Therefore, the fight is between those who cling stubbornly to the policies which have caused this Depression, and those who are committed to scrapping failed policies, in favor of viable alternatives. There are no national recovery programs which do not depend upon returning to the role of the sovereign nation-state, and no international economic recovery, which does not require compacts among cooperating, sovereign nation-states.

Germany: The Great Depression of 1997

by Lothar Komp

The release of the latest unemployment figures on Feb. 6 has put Germany into a state of shock. Not since 1933 has Germany seen such high official unemployment. And not since the beginning of official unemployment record-keeping in the 1920s, has there been such a huge one-month jump in the unemployment figures. Unemployment hit 4.658 million in January 1997, an increase of 510,000 unemployed in one month—more than 10% higher than the previous month.

However, as will be demonstrated here, by taking into account the camouflaged unemployment, the demographic structure, and the structure of employment, the situation today is, in effect, even worse than that of 1932-33. Only one term can describe the present state of the German economy: depression. A depression cannot be fought by minor corrections, only by reversing its major causes. Three such principal causes of the 1997 German depression can be identified:

- The worldwide slump in productive investments, apart from some locations in eastern Asia, caused by the "pyramid scheme" inflating of the global financial system. Under these circumstances, an economy like that of Germany, fully dependent on the export of high-quality capital goods, cannot survive.
- The failure of the government of Chancellor Helmut Kohl to push through a great reconstruction policy for eastern Europe, as it was elaborated in the 1990 Productive Triangle program of Lyndon LaRouche, and the government's imposition of a Weimar-style budget-cutting policy, as demanded by the European Union's Maastricht Treaty. As the historical chance of the reunification was missed, the "Reconstruction East" degenerated into an "abortion" of the post-communist eastern German economy.
- The transformation of political, industrial, and banking leaders in Germany toward a globalist, neo-liberal (that is, free trade) outlook, thereby abandoning the traditional strength of the German economy: an excellent physical and soft infrastructure, as well as a technology-oriented *Mittelstand.* The *Mittelstand* were a success not because they did business cheaply, but because they maintained a high rate of technological improvements.

Worse than Weimar 1932

The last time in German history that official unemployment rose above the 4.5 million level, was in June 1933. The January 1997 unemployment is even 400,000 higher than the previous post-war record high of February 1996. As a share of the total workforce, the official unemployment rate increased from 10.8% to 12.2% between December 1996 and January 1997. In eastern Germany, this figure jumped from 15.9% to 18.7%. Meanwhile, in western Germany, for the first time ever, official unemployment, surpassed 3 million, reaching 3.26 million in January 1997.

The most devastating decline in employment was in the construction sector. Here, the unemployment exploded in January 1997 toward 251,000 in western Germany, and 150,000 in eastern Germany. This corresponds to a shocking 57% increase in western Germany, and 75% in eastern Germany, compared with the month before. The main reason for this unprecedented increase in unemployment in the construction sector is not the cold weather, but the shrinkage of public investment in infrastructure and housing. According to the latest figures available, orders in the construction sector fell in November 1996 by 15.5% in western Germany, and by 8.7% in eastern Germany. In the case of public orders only, the western German construction sector collapsed by 31.3% in November 1996. According to the German construction industry, this is the biggest ever monthly drop (**Figures 1** and **2**).

When Hitler took power in January 1933, the official unemployment stood at 6.0 million. The record-high of 6.1 million had already been reached in February 1932. At that time, the total workforce, as registered at social security offices, amounted to 18.6 million; that is, one out of every three persons in the workforce was unemployed. Today, we are dealing with 4.66 million unemployed people out of a total work force of 39.18 million; that is, one out of every eight is unemployed. However, to compare the German depression of 1997 with that of the late Weimar period, the above figures are not sufficient.

First, the real unemployment in Germany today is much higher than the official figures suggest. For example, the German unemployment offices registered 7 million people, who had been at least temporarily unemployed during the year 1996. A detailed account of the various categories of hidden, or camouflaged, unemployment was recently given by the Nuremberg-based Institute for Labor Market Research (IAB), which is part of the Federal Labor Office. It should be noted here, that the board of the Federal Labor Office, in late December 1996, presented a resolution to the German government,