pected to do so, in the near future.

The situation of the German municipalities is even more dramatic, as many of them do not have any income from corporation or trade taxes anymore, and many cities are in the situation of Offenbach, where one of the biggest single calculable sources of income is the dog tax. The Offenbach municipality has the illusion now of being able to "privatize" its 88 schools and day-care centers, making some extra million euros with that.

The general situation of the municipalities is indicated by the fact that of the State of North Rhine-Westphalia's 25 big cities, 21 are virtually bankrupt and are administered under fiscal supervision of the state government, which means they have to get every single euro spent in the municipality, okayed by the state first. And of the State of Hesse's five big cities, including Germany's banking center Frankfurt, all are under that kind of state supervision.

The budget-cutting priority of the Federal government, which plans to force the states to make even bigger cuts at the end of November, has come under massive, increasing public attack—not only by the cities and the states, but also by labor unions, medical associations, retired citizens' groups, and others.

In an effort to play down the mounting criticism, a visibly enervated Chancellor Gerhard Schröder claimed on Nov. 18 that there was no alternative to his government's approach. He said Germany stood at the "beginning of a painful development," which would necessarily include an "in-depth restructuring of the social welfare state." He implied, without disclosing details, that there would be "no taboo" to any tax increase, except (for the time being) the value-added tax. But whatever extra money will be collected, will be spent on paying the debt, so that no extra funding of incentives for the real economy is possible under this policy.

Dead Weight of EU 'Stability Pact'

The German government is furthermore faced with punitive measures and billions of euros in fines by the European Commission, for missing the 3% debt-to-GDP ratio "target" (really an edict, which has gone from counterproductive to, currently, suicidal) of the Maastricht System, by 0.8% so far in the ongoing fiscal year. Either in a fit of insanity, or under massive blackmail by the private banks, Finance Minister Eichel has promised to balance the budget by 2006, and to reduce the gap visibly already in 2003. This alone implies additional budget cuts in the range of 10 billion euros, annually.

Germany's financial and fiscal emergency will get much worse, if that policy prevails over the next weeks. The "emergency rule" demanded by Arnulf Baring and other Mont Pelerinites is a desperate reaction to the financial collapse, a reaction forecast by Lyndon and Helga Zepp-LaRouche. Such demands will get rapidly louder unless Zepp-LaRouche's New Bretton Woods and Eurasian Land-Bridge policy is fought through, rapidly, instead.

Philippines

High Court Breathes Life Into Economy

by Michael Billington

The Philippines economy has been subjected to an escalating assault over the past year, on top of the destruction wrought by the 1997-98 speculative assault on the nation and its Asian neighbors. The government deficit has gone out of control as a result of collapsing tax revenues from the shrinking manufacturing base; national debt has skyrocketted to meet the deficit; the national currency, the peso, is sliding from its already 50% devalued state (from before the 1997 crisis), thus increasing the debt burden.

Nonetheless, the Filipino people are smiling this month, as, to the shock of even the most optimistic, the Supreme Court on Nov. 15 issued a ruling against one of the leading dynastic families in the nation, a ruling based on the nearly forgotten Constitutional principle that the "General Welfare of the citizenry" supersedes the "shareholder values" of the oligarchical elite.

'Economic Rights of the People'

The ruling came in a case brought originally in 1998 against the Manila Electric Company, known as Meralco, the Philippines' largest private power conglomerate, owned by the Lopez family, whose other holdings include the leading TV station in Manila, telecommunications, privatized waterworks, and extensive real estate. The suit accused Meralco of exceeding the legal limits mandated for energy price increases to consumers, beginning in 1994. The case won a lower court ruling, but was dismissed by a Court of Appeals in 2000, which barred the Energy Regulatory Board from forcing the country's biggest power distributor to issue a refund to its customers. The case then moved to the Supreme Court, under Chief Justice Hilario Davide—the same court which upheld the coup d'état in January 2001 against former President Joseph Estrada, a coup whose sponsors interfaced with the Lopez interests.

Thus, there was great surprise when the court ruled on Nov. 15 that Meralco must repay consumers a sum of $540 million for the excessive rates charged over the past eight years. Most important was the wording of the ruling: "In Third World countries like the Philippines, equal justice will have a synthetic ring unless the economic rights of the people, especially the poor, are protected with the same resoluteness as their right to liberty. In configuring the contours of this economic right to a basic necessity of life (like electricity), the court shall define the limits of the power of respondent Meralco, a giant public utility and monopoly, to charge our people for their electric consumption."

This constitutes more than a legalist finding of law, but declares a fundamental principle of the general welfare, thus condemning the entire process of deregulation, privatization, and the unbridled rule of the mythical "free market economy" which has brought the world economy to its current state of collapse over the past 30 years. It is a principle which is the bedrock of the U.S. Constitution, and was subsequently incorporated into the Philippine Constitution, but has been generally disregarded in both nations for many years.

The IMF Thinks Otherwise

Ironically, the International Monetary Fund's Executive Board released its *Annual Review for the Philippines* on the same day as the court ruling. While the Philippines legal system was declaring the necessity of regulation (and perhaps, eventually, the nationalization of socially necessary utilities), the IMF was demanding the exact opposite. "The plan to privatize and deregulate the power sector should move forward," the IMF said, while also demanding that the government sell down the peso in order to build up dollar reserves, and squeeze the population and the productive sector in order to meet foreign debt payments.

The "plan to privatize and deregulate the power sector" mentioned by the IMF refers to an infamous bill to privatize the National Power Company (Napocor) and deregulate the nation's energy system, a bill rammed through the Congress as the first order of business by the newly installed President Gloria Macapagal-Arroyo in January 2001, as the first spoils to the coup-sponsors who placed her in office. Although there was, and continues to be, significant popular opposition to the implemetation of the bill (see "Philippines Patriots Battle the Piratization of their Energy System," *EIR*, June 8, 2001), and President Arroyo has had serious second thoughts herself, the privatization process has moved forward, slowly, to the great detriment of the national economy and the general welfare.

Although it is not yet an issue on the table, it is clear that the recent Supreme Court ruling, if carried forward to realize its clearly stated intention, would mean the restoration of Napocor as a state enterprise, regulated for the general interest of industry, agriculture, and the population at large.

The Debt Crisis

A brief review of the crisis in the Philippine economy demonstrates the urgency of such emergency action. The Federal deficit has swollen far beyond the projected limits, so drastically that the Standard & Poors rating agency lowered the Philippines sovereign credit rating outlook from stable to negative, declaring that the government had "temporarily lost control over public finances." While S&P's action must be taken as a (typically) hostile act against the nation's sovereignty, the figures demonstrate that its facts are accurate. At the end of October, the deficit reached 180 billion pesos ($4.06 billion), when the *annual* target was 130 billion pesos. The drastic decline in manufacturing, down more than 12% over last year, together with a severe fall in stock values, are major causes of the collapse of tax receipts.

To meet the deficit, the government issued a series of foreign currency bonds, which saw the total debt issued abroad leap by over 30% between June 2001 and June 2002, to $17.5 billion. Another $500 million offering is now ready for issue, but there may be no takers, especially after the IMF explicitly instructed the government to take on no new debt.

Overall debt rose by 18% year-on-year as of August, to a total of $50.35 billion ($24 billion of which is foreign debt). While this is small compared to the huge foreign debts in Argentina and Brazil, the ratio of debt to the size of the economy is comparable—and the comparison is indeed being made in financial centers in the West.

Rising Unemployment

Nearly 14% of the Filipino people are fully unemployed, even by official figures, and far more are underemployed—an estimated 8 million people in total. This explains in part the ugly fact that over 2,000 people leave the country every single day, looking for employment in the West, the Mideast, around Asia, and anywhere else where work can be found. This process is encouraged by the government, as a source of foreign currency, from the remittances sent home by workers to their families, despite the fact that the relatively highly skilled emigrants (including especially many nurses, construction workers, and professionals), are desperately needed at home if the nation is to be reconstructed.

The profound principle enunciated by the Supreme Court decision in the Meralco case must be taken as a reaffirmation of the mission of the Philippine nation, the Asian nation which most closely reflects the original purpose of the United States as a "temple of liberty and a beacon of hope to all mankind." (And, may I add, Americans should consider the implications of the fact that our own Rehnquist/Scalia Supreme Court is apparently "constitutionally" incapable of making such a profound Constitutional ruling!) Now is the time to end all the trappings of the failed globalization bubble, revive federally regulated utilities and infrastructure, break from the bankrupt IMF, and join with other sovereign nations in implementing a New Bretton Woods monetary system to restore human progress to the ailing world.