

# Germany Prepares for An Economic Emergency

by Lothar Komp

Remarkable things are happening in Berlin these days. On Aug. 12, the German government introduced a revision of the 1968 economic emergency law. In the absence of any public debate and any coverage so far by the established media (the new law was published in the official journal for legal affairs, the *Bundesgesetzblatt*, on Aug. 17), the new order has already been approved by the Bundesrat, the upper house of parliament.

A question to the Economics and Justice Ministries elicited great astonishment: “We’ve never heard of this!” But after some back and forth, the ministers’ co-workers admitted that this new measure is operational. In Internet fora, it is being heavily discussed whether the economic emergency law, at the present point in time, had undergone such a great revision because people expect a warlike confrontation, which would endanger social peace in Germany, or because “the international financial system” is about to collapse.

Yet the International Monetary Fund stressed in its “Report on Global Financial Stability 2004,” which was presented on Sept. 15, that the financial markets at this time are in the best of condition, and that it is impossible to discern “from what side sudden systemic threats could show up.” Everything is obviously in good shape. Why then a new emergency law?

## The Measures

As in the 1968 version, the government is empowered to take control of certain goods produced by private corporations, of machines and equipment used by the corporate sector, and of private facilities to construct or repair buildings, technical facilities, and infrastructure. These emergency powers are reserved for times of war as well as for circumstances, when supplying the population with basic needs can no longer be guaranteed by “market mechanisms.”

What is new in the revision of the economic emergency laws, is the definition of several specific legal instruments by which the government can impose its emergency powers.

- **Priorities:** The first such instrument is the issuance of a “priority declaration” (*Vorrangerklärung*). The Federal government, the state governments, the municipalities, and entities in charge of crucial supplies or infrastructure can send such a declaration to a private company, forcing it to shift its

production mode in order to fulfill a specified priority task. If a private company has received a “priority declaration” from any of the mentioned institutions, but it needs certain supplies from other private companies to do the job, it will itself be allowed to issue a priority declaration to that company.

- **Compulsory orders:** By issuing these orders (*Verpflichtungsbescheiden*), government agencies can force private companies “to deliver or receive goods,” “to extract, produce, manufacture or use goods,” “to deliver services,” and “to maintain, produce, use or give away its capital stock.”

- **Coupons:** The Economics and Labor Ministry can impose restrictions on the trade of certain goods. Government agencies could then issue and distribute coupons, which allow the respective company to receive a specified amount of such goods. The coupons are not allowed to be transferred to a third party.

On top of the overall economic emergency laws, there already exists a special emergency law for the oil and gasoline sector, another one for power transmission, and yet another one for natural gas deliveries.

## The Real Implications

The logical inference from this situation is that the Federal government is a lot more worried about the preservation of the world financial system than it lets on. Within the bureaucracy, there is presumably tremendous concern over the danger of terrorist attacks. But in actuality they are burying the worries that the global financial system will find itself in an unmanageable situation, and that a possible collapse could throw the whole economy into chaos.

On the other hand, the pushing through of this emergency law means a confirmation of the efforts by the LaRouche movement in Germany, the Civil Rights Movement Solidarity (Bürgerrechtsbewegung Solidarität, or BüSo), to work out concrete plans for the reconstruction of Germany’s productive capacity under conditions of a systemic crisis. Reconstruction after World War II led to an “economic miracle,” because during the first ten years, a largely dirigistic economic policy dominated. In different sectors, regulation, even of housing, was lifted at first stepwise, after dirigistic credit and investment policies had achieved success.

In this connection, there is a parallel between the “priority declaration” of the Emergency Law 2004 and the decisions of the Kreditanstalt für Wiederaufbau (Reconstruction Finance Agency), which gave its investment credits to those enterprises whose products were classified as priorities for reconstruction.

This is the model which the BüSo has put forward, in many years of political campaigning, for how the German economy and the world economy could be rebuilt: with a government role in prioritizing credit for infrastructure projects, and other vital endeavors in the interest of the general welfare.