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## Philippines

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# Economist Issues 'Final Call to Heroism'

*The following document by Philippine economist Antonio A.S. Valdes, co-founder of the Philippine LaRouche Society, was released at a dramatic moment of crisis in the Philippines. The economy is verging on collapse, and the political situation is so tense that President Gloria Macapagal-Arroyo announced on Dec. 30 that she will not run for re-election, calling for a viable coalition of some sort to be created with the capacity to save the nation from chaos. Valdes' document, putting forward not a local but an international solution, has been distributed to political, business, and social leaders across the Philippines, and was published in large part in the Manila daily Malaya on Jan. 9-10, in the daily column of journalist Rod Dula.*

*Mr. Dula titled the article, "The Truths That Hurt," identifying Antonio Valdes as a "nationalist economist, President of the Philippine LaRouche Society/Movement for a New Bretton Woods." He added, "The article forthrightly debunks what Tribune columnist Herman Tiu Laurel [also a co-founder of the Philippines LaRouche Society—ed.] has tagged, 'The Three Kinks' of our time, namely liberalization, deregulation, and globalization. It explains in the most cogent terms why, economically as well as politically, we are where we are, and why the war the U.S. and its allies are poised to wage against Iraq can only make everything far worse for the less developed nations of the southern hemisphere. Accordingly, I have decided to yield this space and perhaps even the next to its more salient portions. Truly the truth hurts, and these certainly will."*

It does not take genius to realize that all the talk about recovery under this present system of false illusions are crude attempts to mass deception akin to Goebbels' methods.

Our country's only chance to recover is to join in the world-wide call for a change in the world monetary and financial system, in association with Malaysia, Italy, China, Russia, and patriots of Argentina, Brazil, Mexico.

Despite disinformation efforts by advocates of speculative casino-type investments, the truth of the matter is that economies all over the world, including and especially the United States of America, are hopelessly disintegrating; thus their option to wage war.

In mid-1997, in response to a largely hidden derivatives crisis, the big Anglo-American financial institutions, and the likes of speculator George Soros' Quantum Fund, launched a

financial operation against the nations of Southeast Asia. This looting binge, known in the West as the "Asian crisis," was breathtaking both in its criminality and in its stupidity. By knocking out the fastest-growing region of the world's economy, the bankers also knocked out a chunk of Corporate America's foreign-trade profits.

The financiers continued their rampage into 1998 with a renewed assault on Russia. In the autumn of 1998, Russia struck back with a debt moratorium and devaluation, sending the speculators into panic. The global financial markets seized up, as investors fled to the relative safety of U.S. and German government bonds, resulting in the public collapse of the giant Long-Term Capital Management hedge fund and the silent collapse of more prominent institutions. Western governments and central banks responded with what became known as the "wall of money," flooding the market with liquidity and encouraging whatever bookkeeping tricks were necessary to restore the appearance of solvency and thus public confidence. . . . The hype-bubble called the Internet revolution . . . was used to cover the eyes of the world population, fooling them into thinking that the world economy had entered into a new innovative and prosperous era.

That hood has been lifted, revealing the stark truth of the present state of affairs we find ourselves in today.

### **The United States: No Milk or Honey**

The true epicenter of the global systemic crash is the United States. . . . Official U.S. unemployment rose from 8.209 million workers in October, to 8.508 million in November, an increase of 299,000 workers, the Department of Labor Bureau of Labor Statistics (BLS) reported Dec. 6. The official unemployment rate also jumped from 5.7% in October to 6.0% in November. This is the highest official rate in eight years. In reality, *EIR* news service has determined that real unemployment is twice what the BLS has told the public. Furthermore, unemployment continues to strike the manufacturing sector. November marked the 28th straight month in which the U.S. manufacturing workforce declined. During November, the manufacturing sector eliminated 45,000 jobs [and 65,000 more in December]. Since July 2000, the U.S. has eliminated 1.992 million manufacturing jobs, of which 1.583 million were production manufacturing workers.

The United States is poised to run a fiscal year 2003 budget deficit of between \$400 and \$500 billion. The deficit is caused primarily by a collapsing level of revenue: In FY 2002, the United States experienced the largest single yearly collapse in individual income tax revenues—in both absolute amount and in percentage—in 70 years. Thus far, for FY 2003, this sharp revenue drop continues.

Between July 2000 and August 2002, the number of Americans relying on Federal food stamps increased by 2.8 million. . . .

During the period starting 1997 to the present, the United States essentially transformed itself into a net consumer, from

a net producer. It became what Lyndon LaRouche called the “Importer of Last Resort,” buying up all of the world’s goods, hoping to keep the world economy afloat even just for a while longer. Put all of these elements together, and considering the looming explosion of the U.S. real estate bubble, and it becomes clear: The United States, by any honest accounting standards, is bankrupt!

The meltdown is by no means confined to U.S. shores. Like their American counterparts, Europe’s former “model” high-tech firms, based on information technology and privatized infrastructure, are now crumbling beneath excessive debt, the global tech meltdown, and “shareholder value” stupidity, if not outright fraud.

Much as the experts continue to insist otherwise, the present world monetary system is finished. We are now at a point that the existing definitions, axioms, and postulates of the system which has increasingly ruled the entire world for the past 35 years, have now demonstrated themselves to be a catastrophic failure. Already in its death throes, the system created by the financial oligarchs will not last in its present form, and is expected to collapse within a few months.

The world’s stock markets, foolishly thought to be the perfect barometer of wealth, are now back to the levels of 1997 and early 1998, but supporting much higher levels of debt and other financial aggregates, making the situation desperately critical. We can expect more such obituary notices in the coming months, as multinationals bigger than Enron and WorldCom announce their demise. . . .

### The Crisis in the Philippines

Dire economic conditions in the Philippines need no reiteration. National debt, foreign and domestic, are all at historical highs. Debt service has been deleted from budget presentations because it is no longer subject to debate. Unemployment is at staggering levels; not including those forced to seek employment outside the country. Spiraling costs of basic services are provided by private companies for profits, upon the abdication of government’s role.

The denial of economic reality is paving the way for an Argentina-style economic crisis to come to the Philippines—the result of years of looting by the International Monetary Fund.

The Philippines’ public-sector deficit hit \$3.40 billion for the first ten months of 2002, while the target for the entire year was only \$2.45 billion. . . . In August 2002, the Philippine



*A meeting held at the Balucan State University in July 2001 by the LaRouche Society of the Philippines. Inset: economist and LaRouche Society co-founder Antonio A.S. Valdes.*

government announced that foreign borrowing accounted for one-third of total government financing. For 2003, by some estimates, 85% of total government financing may come from foreign lenders. The 1997-98 crisis caused the debt load of the Philippines, measured in dollars, to nearly double—but due to the devaluation, by half, of the peso, the debt has actually quadrupled when measured in pesos!

Over the past two years, half a million Filipinos joined the ranks of the unemployed, swelling the number to nearly 5 million. If we include the underemployed, the number of Filipinos looking for gainful employment as of April 2002 stood at 9.5 million, out of a labor force of 35 million Filipinos over 15 years of age.

Perhaps the most shocking fact, is that the current unemployment situation comes despite the departure every day of at least 2,000 Filipinos, seeking employment overseas. The Middle East alone hosts 1.3 million Filipino workers. Overseas workers pump close to \$10 billion annually into the Philippine economy, a major chunk of which comes from those employed in the Arab countries. . . . A war in the Middle East could spell disaster for the Philippine economy, because of its dependence on the money the workers send back home.

The state of the banking system reflects the state of the Philippine economy. Philippine banks have the worst returns among the five major Southeast Asian economies (the other four being Thailand, Malaysia, Singapore, and Indonesia). Philippine banks reported an average return on assets of 0.1%, or one-fifth the regional average of 0.5%. . . . The Philippines also has Southeast Asia’s worst acknowledged level of non-performing loans—at 18.4% of total outstanding loans as of

September 2002. In the second quarter of 2002, the Philippine Central Bank posted a loss of over \$60 million. Revenues slipped as interest income from international reserves declined by \$750 million, or 51.2%.

But the ongoing systemic collapse has taken a much more extreme toll. It has hijacked the very future of our republic. As more money is taken out of nations' education, health, and social services allocations, to feed the rapacious bubble through debt service, our children, our future, are left essentially to fend for themselves, as mandated by the laws of the jungle, otherwise known as the free markets. "Let the weak fall by the wayside," as former President Ramos used to say. And yet, our government insists on these same insane policies, such as the establishment of a wholesale electricity spot market, betraying both the naiveté and utter disregard for the general welfare of present dispensation.

### **Clash of Civilizations**

Under these present financial-monetary conditions the outbreak of a new kind of global warfare . . . is likely. Today, the threat of thermonuclear war is more real than at any other point in human history. Just as in the 1930s and in the 1940s, a world financial crisis led one country after the other on the road to war. The military-utopian doctrine known as the Clash of Civilizations is already being played out in gruesome detail in the Middle East. The thesis, written by Samuel Huntington, assumes that all major religions will ultimately lead to conflict with one another, [and] has become the framework for a strategy of perpetual warfare in all areas of the world.

Already, our own naive leadership has proven herself willing to join this "zarzuela" of fighting terrorism, by being terrorists themselves; a futile exercise in which the only benefit derived is that our soldiers got to test out night-vision goggles, and that U.S. soldiers made prostitutes of our women.

It doesn't take genius to implement measures which would give the Filipino people their best chance at survival. The Filipino, whether he is a leader of a country, or a leader of his family, must answer a call to heroism by facing squarely the immoral impositions of the true enemy of humanity. Trusting the people is the real democracy. . . .

We face a system which is collapsing under the weight of its own delusions, confusing real wealth with a virtual wealth which never existed, except in the *sui generis* accounting of the capital markets, which today evaporates in the light of day. Leaders of this nation must face up to this fact. Unless we, together with other nations, call for a bankruptcy reorganization of the entire world financial system, our country and the rest of civilization as we know it will enter into a new dark age.

### **Imago Viva Dei**

The solutions are evident, even as the will to do it is not. Our leaders are afraid. They fear the power of the IMF and its

surrogates in the United States, Great Britain, and others, including those in our own country. The rules have been set by nameless individuals and we have been constrained to seek our survival within those same rules, or conditionalities. But there are no solutions that can be found within these rules. The solution lies outside the conditions set upon us by the protectors of this present system. The solution lies in the immediate replacement of the failed system, with one that has been proven to work.

We must simply recognize that these global financial "experts" and those that blindly followed them have made a terrible mistake since 1966. We must acknowledge the fact that under the Bretton Woods system as conceived by U.S. President Franklin Delano Roosevelt, world economic performance was significantly better than today's deteriorating circumstances.

The fixed exchange rate was enforced and foreign currency transactions were regulated; protectionism was practiced in accordance with bilateral agreements based on equitable terms; sovereignty of nation-states was a primary consideration. Much as these same experts rabidly insist, the United States did not recover from the depression in the 1930s by practicing British Free Trade. It recovered through Roosevelt's re-instituting protectionist policies which developed the physical economy, following the ideas of Alexander Hamilton—the first Treasury Secretary of the United States, and an avowed adversary of Adam Smith, who had rationalized that slaves are mere objects of trade.

But true peace cannot be achieved solely through political means. Therefore, we must, along with other nations, initiate a "Dialogue of Civilizations," drawing from the examples of Cardinal Nicolaus of Cusa's "On the Peace of Faith." Like the Peace of Westphalia, which ended the European religious wars of the 16th and 17th Centuries. . . . We must, together with leaders of other nations, and simultaneous with the reorganization of the world financial system, enter into such dialogues of cultures, with the intent of reviving the best traditions of every culture as a starting point. This is the only true way to a durable peace. This is what truly makes man created in the image and likeness of God.

History abounds with noble examples, those who had chosen to take a stand for mankind, and who had won. Those who had championed an economic and financial system that puts the system subservient to man, and not the other way around. Those whose ideas will remain universal long after they have passed from this lifetime. Gottfried Leibniz, Cardinal Nicolaus of Cusa, Alexander Hamilton, Henry and Mathew Carey, Friedrich List, and today's Lyndon H. LaRouche are but a few of these examples. . . .

As with the 15th-Century Renaissance, let us usher in a new age of true development for mankind. Let us put to rest this failed system and implement a system dedicated to the welfare and progress of all human beings. . . . And, finally, let this be the last true revolution Filipinos and other nations will have to fight, for true freedom.