

Business Briefs

Russia

Glazyev: Crash Is On, Make Ruble Reserve Currency

Interviewed in *Pravda* on July 17, economist Dr. Sergei Glazyev commented on Dr. Tatiana Koryagina's forecast of world financial and U.S. political explosions during August, and stressed the evidence presented at June 29 hearings on how to survive the global financial crisis, which Glazyev convened as Chairman of the Russian State Duma's (lower house of Parliament) Committee on Economic Policy. Lyndon LaRouche was the lead witness at the hearings (see *EIR*, July 20).

"Koryagina is a serious scientist," said Glazyev, "If she says something, it means she has grounds for saying it. . . . Personally, I would not be 'tied down' to a specific date, Aug. 19, as the date of the onset of crisis in the U.S. economy. . . . Most of the witnesses at our Parliamentary hearings . . . were inclined to think that the American economy is *already* in crisis."

To rescue Russia from its "excessive dollarization," Glazyev proposed, "We require a flexible monetary policy, expanding the sphere of utilization of the ruble. . . . Without waiting for the dollar to crash, the question should be raised now, to the European Union, of shifting to trade in our national currencies: The Europeans take our rubles in order to use them to pay for our exports, while we take their euros for purposes of paying for our imports. This automatically makes the ruble a reserve currency on the scale of Eurasia."

U.S. Unemployment

Chicago Study Indicates Jobless Vastly Understated

As the Chicago Federal Reserve office reported another drastic drop in its industrial production index for June, the July 31 *New York Post* reported a study by Fuji Futures, Inc. of Chicago, which attempts to estimate the real rise of U.S. unemployment this year, and finds it far higher than the "official" figures released by the Bureau of Labor Statistics have admitted. The study was discussed in a column by economics writer John Cru-

dele, before the BLS release of its cooked-up unemployment figures for July.

Fuji economist John Vail traced state-by-state data on the number of people collecting unemployment. The state data, added together, show an apparent 42% increase in the unemployed nationwide since Jan. 1. Vail said that his data are "solid, from the states," while the bogus Federal figures are based on "surveys and estimates," and are "vastly understating the unemployment problem." Crudele concluded by noting that, were the unemployment figures to include those who have given up on looking for work, the total would be at 10%, a closer approximation of *EIR*'s own, far more rigorous, count.

New Economy

Nasdaq Companies Have Lost All Their Gains

According to an article in the Aug. 16 *Wall Street Journal*, the 4,200 companies registered on the Nasdaq have registered losses in the last four reported quarters, equal to the meteoric gains they had racked up since September 1995. For the most recently reported four quarters, these companies tallied \$148.3 billion in losses. From September 1995 up through the second quarter of last year, these companies had made a profit of \$145.3 billion. In short, the *Journal* accurately summed it up, "The companies currently listed on the market that symbolized the New Economy haven't made a collective dime." Satya Pradhuman, director of small-capitalization research at Merrill Lynch, put on a brave face for the *Journal*, whose readers he assured, "there is plenty of profitability out there" among young companies, only to add, "only among those that survive." Robert Barbera, chief economist at Hoening & Co., took the Zen approach: "What it means, is that with the benefit of hindsight, the late '90s never happened."

In a related development in economic Cloud Cuckoo Land, a developer of \$800,000 mansions in Great Falls, Virginia, has created "affordable housing" next door, by clustering four townhouses (at \$125,000 a each) together behind an identical facade to the high-price homes. Some area residents refer to the new neighborhood as "the Townes of Potemkin."

Real Estate

Housing May Be Next Bubble To Burst

Today's homeowner is very much like a heavily margined stock trader in a dangerously overvalued stock market, warns hedge-fund manager Doug Kass, who considers the sharp rise in new home sales along with exploding prices a clear indication of mounting speculation, according to *Baron's* magazine.

Today's homeowner owns about 58% of his house, compared to 68% fifteen years ago. The combination of surging prices and increasing layoffs could cause housing sales to hit the inevitable wall, causing housing sales to decline with sudden sharpness, home prices to plummet, and a retrenchment in consumer spending; that retrenchment would add heavily to the strains on the economy, triggering further downward pressure on home prices. Naturally, being a hedge-fund manager, Kass's response is for shareholders to short homebuilder stocks.

The market value of houses in the United States has reportedly risen by \$2.5 trillion in the past three years; home values in some metropolitan areas have risen more than 10% annually during that period. At the same time, borrowing by homeowners against this supposed higher value was so heavy in the 1990s, that home equity as a proportion of home value dropped 10 percentage points, and mortgage debt outstanding is now \$5 trillion.

Mexico

Unemployment Level Near That of 1995 Peso Blowout

Mexico's jump in unemployment is heading toward the magnitude of the 1995 collapse of the peso and the banking system, when more than 611,000 jobs were lost, researchers from the Universidad Obrera report.

According to their count, 400,000 people were fired in the five months between December and May—239,000 of them in manufacturing. Reports of the precipitous collapse in employment are being released from all sides:

- Some 20,000 public sector workers, from the Ministries of Treasury, Agriculture, Economy, Social Security IMSS, and Development, were informed in early August, by way of a government communiqué, that their next two-week paycheck would be their last, because they have been fired.

- The government's official statistical agency, INEGI, reports that the number of Mexicans employed in manufacturing was 3.8% less in May 2001 than the same month a year ago: the greatest contraction in monthly employment since 1995. Manufacturing employment has fallen (even according to notoriously low official statistics) by 2.6% since Jan. 1. Every sector was hit: Employment in the wood and lumber industries fell by 9.4% (May 2001 over May 2000); in textiles and clothing, by 7.8%; in metals, machinery, and equipment, by 5.2%; and so on.

As for the *maquiladoras*, the virtual slave-labor industries on the U.S.-Mexico border, the president of the Maquiladora Industry's National Council, Rolando González, reported on July 26 that the *maquiladora* "industry" is operating at 60% of capacity, and had eliminated 70,000 jobs in the first half of 2001, with the downturn really hitting starting in May. None of these figures should be taken as definitive, but indicative. In March, for example, González had reported that 100,000 jobs had been lost in his sector in the first three months of 2001.

Defense

Benchmarking Lunacy Affects U.S. Missiles

There are problems in upgrading the electronic guidance systems on the Minuteman III intercontinental ballistic missile fleet, Pentagon spokesman Rear Adm. Craig Quigley acknowledged to reporters on Aug. 9. The new systems don't work as well as those made 30 years ago, highlighting once again the problems in U.S. scientific and engineering capability as it has increasingly been affected by the insanity known as "benchmarking."

The *Los Angeles Times* reported that the \$4.5 billion plan to upgrade the missiles has shown the new systems to be less accurate with a shorter range than the ones they are replacing. According to reports obtained by

the newspaper, the upgraded models either had missed targets by distances that were considerably larger than their predecessors had, or had "reduction in range" during several tests last year.

"So does this concern us?" Quigley asked rhetorically. "Yes. This is an important system. This is a key element of our strategic deterrent force." He added, "If there are shortcomings, we will eliminate them."

The Bush Administration has proposed eliminating MX intercontinental ballistic missiles, which would leave the 500 Minuteman IIIs as the workhorse of the U.S. land-based nuclear force.

Electricity

New York Advised to Delay Full-Scale Deregulation

Concerned that the "California effect" will strike in New York, the second most populous and biggest resident power market after California, a report prepared for the New York Public Service Commission (PSC) says: Go slow. According to the Aug. 7 *Buffalo News* and other press accounts, the report advises that full-scale deregulation not be implemented throughout the state until there is adequate generating, transmission, and natural gas capacity, in a "number of years."

The report recommends that any major changes in the state's electricity regulations be delayed until "supply exceeds demand sufficiently to eliminate the exercise of excessive market power." In fact, since the report was prepared, the state of Texas, where it is asserted there is 20% more capacity than needed, has already seen generators gaming the market, which only began its wholesale trading on July 30.

The report is also concerned that "many customers taking service from an energy services company do not realize that they are being afforded a lower lever of consumer protection than that provided by the utilities." Last fall, when Iroquois Energy Management went bankrupt, its former customers lost \$1.8 million in deposits and prepayments.

KENYA'S Registrar of Industries' figures show that 50 firms are moving to lower-cost countries, following the launch last October of a Free Trade Area by nine Comesa member-states. The LFTA made it possible for the multinationals to manufacture elsewhere and export the goods to Kenya at zero tariffs. Another 120 firms have folded, while about 100 have been put under receivership in the past five years. In the process, an average of 20,000 Kenyans are losing their jobs annually.

NIGERIA in September will start treating 15,000 AIDS-infected people with anti-retroviral drugs obtained from India. Stephen Lewis, UN Secretary General Kofi Annan's special AIDS envoy to Africa, called the claim (now promoted as U.S. AIDS policy) that it is too soon to launch sophisticated treatment plans in Africa due to scarce health resources, "a cruel and reckless distortion of reality. . . . Millions of lives can be saved and tremendous progress can be made with what is now available."

JAPAN'S economy is "further deteriorating," according to the government's monthly report issued Aug. 10. Haruhito Arai, director for economic analysis at the Cabinet Office, said that the report adds "further" to the documentation of the economy, which has been downgraded for five straight months.

'U.S. GAMBLING, INC.,' a name that Christiansen Capital Advisors gave for a fictional holding company for the nation's lotteries, casinos, and other gambling businesses, would have ranked tenth in sales among U.S. companies in 1999. The amount of money placed in legal U.S. gambling bets in 2000 was \$826 billion, up 7% from \$769 billion in 1999.

AS OF JUNE, a record 4.5 million residential utility customers in the United States (users of gas, electricity, or propane) were at risk of cut-offs because of unpaid arrearages built up over the past year.