Business Briefs

California

Companies Withheld Power in Blackouts

After more than a year and a half of study, the California Public Utilities Commission released its report Sept. 17, which concludes that the blackouts suffered by the state in 2000 and 2001 were caused by companies withholding available power. Between November 2000 and May 2001, five companies—Duke, Dynegy, Reliant, Mirant, and AES-Williams—withheld 37-46% of their available generating capacity, the report found, which power could have avoided most, if not all, of the blackouts. The reason, the report states, was to create a shortage crisis to drive prices up as high as possible.

While the charges were contested by the companies—which continue to claim that twice as many megawatts of capacity were idle in February 2001 as compared to February 1999, due to the need for repairs—the report cites many specific cases which belie this. In one, a power plant owner refused to offer power to the state Independent System Operator, haggling over the price. But when grid operators insisted the power was needed to avoid blackouts, the company called back and said the plant was unavailable due to air quality restrictons.

Other investigations into the California energy crisis continue. The Federal Energy Regulatory Commission announced on Aug. 13 a formal investigation into misconduct by Avista Corp., El Paso Electric, and three Enron affiliates, for manipulation of short-term electric and natural gas prices. The probe is in coordination with the Department of Justice and Securities and Exchange Commission.

Finance

Brazil Leads Plunge of S. American Currencies

Ibero-America's currencies are plunging, and the Brazilian currency, the real, led the way on Sept. 19, losing 3% of its value, to close at just under 3.46 to the dollar—then fell again on Sept. 23 to 3.565, an all-time low. Brazil's benchmark bond—which makes up one-third of all trading in developing-sector debt internationally—lost 4% of its value, and is now worth just under 53% of par.

The renewed acceleration of Brazil's march towards default, combined with U.S. economic troubles, caused even the "safe-haven" preferred by fools—Mexico—to be hit. The Mexican peso fell 1.7% on Sept. 19, to 10.18 to the dollar, its lowest level since the height of the January 1999 Brazilian blowout. It fell further to 10.255 on Sept. 23, and Mexico's Central Bank intervened by increasing its withdrawal of liquidity from the economy to 100 million pesos daily. The Colombian peso fell 1%, to hit a new record low of 2,809 to the dollar. Venezuela's bolivar fell yet again, by 1.1%, to 1,466 to the dollar.

Seven of the world's ten worst-performing currencies this year against the dollar—which itself has fallen—are in Ibero-America. Thus far in 2002: Argentina's peso has lost 73%; Venezuela's bolivar, 48%; Uruguay's peso, 47%; the Brazilian real, 32%; Colombia's peso, 19%; Mexico's peso, 10%; and the Chilean peso, 9.5%. Think of the vastly increased rate of looting which results from such devaluations, through increases in foreign debts, and soaring costs of imports.

United States

White House Spokesman Flunks Economics

An unidentified reporter asked spokesman Ari Fleischer a pertinent question at the White House briefing Sept. 20:

Q: "The national security document says that the lessons of history are clear in the point that market economies, and not command and control economies, are the path to prosperity and peace. How do you square that statement with recent political and economic events in Latin America?"

Fleischer: "I'm not sure I follow your premise. Are you saying that it's inconsistent?"

Q: "The growth of Latin America during the '90s was less than it was in the '60s and '70s. And there's now a wave sweeping across Latin America, that's both political and economic in nature, that seems to represent a repudiation of this statement."

Fleischer stumbled, asserting that "Latin America and Central America are real success stories in many cases," naming El Salvador and Peru as proof. The reporter came back:

Q: "Then why are the economies stagnant?"

Fleischer: "Well, I think economies can always be stagnant. In capitalist countries, and in free and democratic countries, there's growth and there's recession and there's retraction. . . ."

Asia

'Super Rice' Only Two to Three Years Off

Singapore's *Business Day* reported on Sept. 19 that farmers in key rice-producing Asian countries are expected to start growing high-yielding "super rice" in two to three years to feed rising populations, according to a senior scientist from a non-government organization. Use of the hybrid rice, now grown on 50,000 hectares of farmland in China and being tested abroad, is expected to expand steadily, Gurdev Khush, consultant at the International Rice Research Institute, said at the Institute's conference on Sept. 17.

Almost all of the people in Asia, or 60% of the world's population, rely on rice as a staple. Khush, often considered as one of the fathers of the 1960s Green Revolution for his work in developing high-yielding rice strains, sees "super rice" making up a fifth of the world's key paddy fields in the next five years. Khush said China's super rice is mainly grown in the southwestern province of Yunnan, while the Guangxi region and Jiangxi and Hunan provinces are now testing the strain before growing it on larger acreages.

China, with 1.3 billion people the world's most populous nation, is the top global rice grower, producing about 180 million tons annually. Its output makes up about a third of the world's rice production, industry officials at the conference said.

Germany

Leading Insurer Sells Off Stock

Allianz Insurance was selling off its stock portfolio on Sept. 18, as Germany's Dax stock index crashed to a new five-year low.

While the Dax was plunging below the 3,200 mark on Sept. 18—compared to 8,100 points in March 2000 and 5,400 points just half a year ago—Allianz AG, the largest German insurance company, hit the panic button and started a mass sell-off of its stock market portfolio in order to save at least some its core capital, according to market reports.

Other insurance companies, including Munich Re, were also selling their stock holdings, further contributing to the market meltdown. About 30% of the assets of Europe's insurance companies had been invested in the stock markets, and more than $165 billion of that money has gone up in smoke, over this quarter alone.

The stock prices for Allianz itself, which stood above 400 euros two year ago, have fallen below the 100 euro mark, the lowest level in nine years. The Dax on Sept. 19 hit its lowest close since February 1997. The Nemax-50 index of the German "New Market" fell to a historic low, below 400 points, compared to 9,600 points in March 2000.

Russia

Economic Monthly Features EIR Exposé

"The Last Superpower, in the Debt Noose," is the headline given to a Russian translation of the *EIR* article by Richard Freeman and John Hoefle, "Rollover of U.S. Debt Will Yield Weimar Hyperinflation," as published in the September issue of the Russian monthly *Valyutny Spekulyant* (*Currency Dealer*). The original article appeared in the July 5, 2002 issue of *EIR*. The Russian version is illustrated with three of the graphs from the original, plus a photograph of a crumpled dollar bill.

A brief introduction identifies the source of the article as "Lyndon LaRouche's *Executive Intelligence Review*," adding that LaRouche right now "is one of the politicians, most in demand in the entire planet." Referring to LaRouche's early-Summer public appearances in Rome, *VS* cites him: "He speaks convincingly about the total bankruptcy of the existing monetary system and proposes to convene a New Bretton Woods conference.

"In LaRouche's view, the establishment of a new global monetary system will create preconditions for world economic recovery—in particular, through the issue of long-term, low-interest credits, earmarked for large-scale investment projects. One of these, which LaRouche has proposed, is the construction of a Eurasian Bridge."

Uruguay

Government Seeks A Debt Moratorium

Press on Sept. 20-21 report the desperate government of Jorge Batlle is examining options for rescheduling its debt, via a swap of short-term for longer-term debt, but is anxious that the move not be seen as a default, but rather an "authorized moratorium." Government authorities see this as an implementation of IMF Deputy Managing Director Anne Krueger's crazy scheme to allow debtor nations to restructure their debt, while imposing severe austerity. The Uruguayan officials don't want to cause problems for the country's creditors, according to *El Observador*.

For the rest of this year and through 2003, Uruguay must pay $2.2 billion in interest and principal, and another $1 billion in 2004. It is scheduled to receive a total of $3.8 billion from the IMF/World Bank/Inter-American Development Bank, which will be used to pay these obligations.

Meanwhile, the country's collapse continues unabated. Imports for August declined a whopping 51%, compared to the same month last year. *La Republica* reported on Sept. 23 that real wages have fallen 30% this year, making this the worst year for real wages in the country's history.

Briefly

POVERTY in the United States rose in 2001, with an increase of 1.3 million in the number of people living below the poverty line. Household incomes fell in 2001 for every population group, dropping 2.2% for all households. And this, in statistics released Sept. 24 by the U.S. Census Bureau, which *do not include* losses in stocks, suffered by nearly half of all households. The only thing increasing in 2001, according to the figures, was the income gap between the richest and poorest Americans.

ALCATEL the largest European telecom equipment producer, announced the week of Sept. 16 that its sales are still falling sharply this quarter—50% for its optical components unit—and will continue to fall in the near term. Alcatel will cut, not the planned 10,000 jobs by the end of next year, but 20,000, bringing its workforce down from 130,000 two years ago, to 60,000 at the end of next year. Its stock prices were cut in half the same week to a new historic low.

JOBLESS claims, according to the U.S. Labor Department Sept. 19, were at 424,000 in the week ending Sept. 13; the Department revised the previous week's figure to 426,000, raising the four-week running average of such new claims to a high 418,500. Continuing claims for unemployment, for the week ended Sept. 7, rose from 3.54 million to 3.61 million, and the four-week moving average rose by 29,500, to 3.56 million.

U.S. AIRLINES, facing financial ruin from an Iraq war, sought financial support from Congress, including tax breaks on jet fuel, and terrorism insurance subsidies. Airline executives, worried about rising fuel and insurance costs, and fewer passengers over fears of retaliatory terrorist attacks, met with lawmakers ahead of House Transportation Subcommittee on Aviation hearings on Sept. 24.