Business Briefs

Currency Control

Dominican Republic Out To Stop Speculation

Hiplito Mejia, President of the Dominican Republic, called in bankers, foreign exchange traders, exporters, and tourism operators on Dec. 3, to tell them speculation against the peso had to stop, *ya*—now. They were informed that a council had been set up to oversee the foreign exchange market, which would include the Secretary of the Armed Forces, another Army general, and a police major general. Anyone involved in selling currency without authorization from the Central Bank would be arrested. "For better or worse, the dollar has to come down," Mejia told them. The value of 30 pesos to the dollar was set as a goal to be reached in December. Central Bank Governor José Lois Malkun, who was present, along with the Bank Superintendant and the Finance Secretary, emphasized that the IMF would not sign any agreement with the Dominican Republic, unless the peso was under 40 to the dollar.

The question floating in the environs of this decision, is the proposal promoted by U.S. Treasury number-two, John Taylor, and the Synarchist interests represented by the *Wall Street Journal,* for the Dominican Republic to dollarize. President Mejia stated on Nov. 29 that dollarization was not immediately possible, because the country—and, in particular, the banks—are not yet prepared for such a step. He does not oppose it on philosophical grounds, he said, but rather that a lot of information is required, to make such a decision.

Predators

Wal-Mart Now Largest Employer in Mexico

The *New York Times* reported on Dec. 6 that Wal-Mart now dominates the Mexican retail sector, as it does the American. Reportedly in 2002, Mexico officially created 16,000 private-sector permanent jobs; of these, Wal-Mart created half. Wal-Mart is using the 1994 NAFTA accords to restructure the Mexican economy along the lines of extremely low wages, and the utilization of concentration-camp production facilities.

Wal-Mart entered Mexico only in 1991. By now, it has 633 Mexican outlets (of Wal-Mart stores and subsidiary companies), and sales of nearly $11 billion. Wal-Mart operates 81 Wal-Mart stores and super-centers and 51 Sam's Clubs, which have combined sales of $6 billion; but it also owns 52 Suburbia department stores; 267 Vips restaurants, and over 200 Superama and Bodega supermarkets. It controls 30% of all supermarket food sales in Mexico, and dominates in many other retailing sectors.

Wal-Mart enforces its anti-union policies. In the United States, a unionized supermarket worker makes $13 per hour, and as much as $19 per hour when benefits are included; but at Wal-Mart where there are no unions, that worker makes $8.65 per hour. In Mexico, where unions are banned by Wal-Mart, a newly-hired Wal-Mart cashier makes $1.50 per hour.

Wal-Mart is the front-end of feudalistic globalization: "Part of globalization is adopting the methods and customs of another country," stated Francisco Rivera, an economic "analyst" in Mexico City. The *Times* comments, "The company that ate America is now swallowing Mexico."

Unemployment

Productive Labor Force Still Falling in U.S.

Official U.S. unemployment fell to 8.674 million in November from 8.779 million in October, a decrease by 105,000 workers, the Bureau of Labor Statistics (BLS) reported Dec. 5. The *official* U.S. unemployment rate fell 0.1% in November to 5.9%. *EIR*'s Economics Staff estimates that real U.S. unemployment in November was above 19.5 million workers, considerably more than double the official figures.

The BLS calculates its *official* unemployment rate by use of its "household survey." It also uses and highlights an "establishment survey," which reports how many workers work on non-agricultural payrolls. Here there are fireworks. At the start of December, a "consensus" of 60 "leading economists" had predicted that for the month of November, the United States would show a growth in non-agricultural payroll employment of between 150,000 and 160,000 workers. Based on the anticipation of this "growth," President Bush opportunistically scheduled a photo opportunity Dec. 5 with small businessmen and employees at a Home Depot store in Halethorpe, Maryland, where he would claim credit for the growth of 150,000 or more jobs. Instead, the BLS announced a growth of only 57,000 payroll jobs.

Above all, unemployment continues to strike at the manufacturing sector, showing the devastation of the physical economy. During November, a further 17,000 manufacturing workers' jobs were eliminated. Of these, 16,000 *manufacturing production workers jobs* were eliminated, those who physically alter nature to improve mankind's existence. This is the 40th consecutive month in which manufacturing jobs have been axed. Since July 2000, there have been 2.78 million manufacturing jobs eliminated, which includes 2.30 million production manufacturing workers. This is the elimination of 16.0% of the U.S. manufacturing workforce, and 18.4% of its manufacturing production workforce.

U.S. States

Budget Meltdowns Continue Across Country

The National Governors Association's (NGA's) "Fiscal Survey of States," December 2003, reports that budget blow-outs are continuing, despite their having cut spending in Fiscal 2003 by the second-largest amount ever. According to both the NGA and the National Association of State Budget Officers, states are suffering a "continued fiscal plight." The study found that states reduced spending "significantly" both in fiscal 2003 and already in the current 2004 fiscal year, and most raised taxes, as revenues were lower than expected, in attempts to balance their budgets.

During the fiscal year ended June 30, 2003, twenty-one states passed budgets with reduced "general fund" spending compared with the previous year. In Fiscal 2004, 13 states already have enacted such "negative growth" budgets.

In Fiscal 2003, forty states—the most recorded in the 23-year history of the *Fiscal Survey*—made either across-the-board cuts or selective program reductions after budgets were passed. The cuts totalled $11.8 billion—surpassed only by the reductions in Fiscal 2002. Eight states have already made budget cuts totalling $2 billion, in Fiscal 2004. In Fiscal 2003, thirty-two states made across-the-board cuts; 25 states used "rainy-day" funds; 16 laid off employees. Aid to local governments was also reduced. Layoffs of state government employees has increased again in Fiscal 2004.

Thirty-two states expect they will have a shortfall in their Medicaid budgets for Fiscal 2004, even after having made "aggressive" cuts. And since July, 36 states have raised taxes and fees, by a total of $9.6 billion.

Debt

BIS Warns on Auto Sector Indebtedness

In its December 2003 *BIS Quarterly Review,* the Bank for International Settlements features the "unusually sharp movements" on foreign exchange markets in recent months, in particular the intensification of the pressure on the dollar. But at the same time, there emerged other "signs of potential problems," which seemed to be isolated events but easily could have far-reaching consequences: "The downgrading of several automobile companies highlighted vulnerabilities in this volatile sector of the corporate bond market. The arrest of a well-known Russian business leader increased doubts among investors about the country's recent promotion to investment grade. And allegations of fraud in the mutual fund industry threatened to undermine the optimism of equity investors."

Concerning the automobile industry, the *BIS Quarterly* explains: "In the last few weeks of October, spreads widened dramatically in the automobile and related finance company sector, following Standard and Poor's unexpected downgrade of DaimlerChrysler and placement of Ford and its affiliated finance company on credit watch. There was even concern in some quarters over the potential systemic impact on financial markets if Ford were to be downgraded to non-investment grade. Ford Motor Credit, with $130 billion of unsecured term debt, is among the largest finance companies globally, and its bonds account for a significant proportion of many investors' portfolios."

"Having no access to deposits as a source of funds, the large finance companies rely heavily on the [bond] markets" and are therefore very vulnerable to credit rating downgrades.

Privatization

Uruguayans Reject State Oil Breakup

In a Dec. 7 referendum, the Uruguayan population rejected an attempt to privatize the state oil monopoly ANCAP. A law that would have opened up ANCAP to private foreign investment was roundly defeated by a 60% majority, and the results are now being seen as a foretaste of what to expect in the 2004 Presidential elections. The referendum was organized by the PIT-CNT trade union federation, and the leftist New Majority alliance, in which the EPFA coalition, led by Presidential aspirant Tabare Vásquez, is the leading member. Right now, Vásquez is favored to win next year's elections, with a 46% popularity rating.

This is the second time in two years that Uruguayans have stymied attempts to privatize state-sector companies. In 2001, another referendum defeated the government's bid to privatize the national telephone company. This has enraged the IMF, which has pressured the government of Jorge Batlle to privatize more state-sector companies and impose stringent austerity to qualify for financial assistance.

Briefly

THE U.S. FEDERAL government's credit rating is threatened with lowering eventually, said Moody's rating service on Nov. 24, because of the rising record U.S. budget deficit, unless Congress cuts spending on entitlement programs and/or raises taxes.

BLACKOUTS? Not in the Tennessee Valley. Electricity users in the Valley experienced power outages less than half as often as the rest of the country in 2003, the TVA announced Dec. 2. The still-regulated TVA is now in the midst of a $1.3 billion program to upgrade its electricity transmission network, and as a result, in Fiscal 2003, the average distributor buying TVA power or industrial customer lost power for only 4.2 minutes. The TVA has also upgraded its training programs, and trains or recertifies nearly 500 electric linemen every year. They maintain and repair TVA's 17,000 miles of transmission lines.

THE U.S. DOLLAR has dropped one-third of its value against the euro since October 2000. Since its low in October 2000, the Euro has now risen from 83¢ to $1.21; thus the value of the dollar in euros has shrunk by 31%. Just in the last 12 months, the dollar fell by 17%, which means that any European investor holding U.S. Treasuries has suffered losses three to six times larger (depending on the maturity) than all the interest he might have earned on the investment.

TRADE between African countries and China has grown 68% in three years, to about $18 billion annually, and the growth is accelerating. The first China-Africa Business Conference will be held in Addis Abeba, Ethiopia, from Dec. 14-16. Participants will also attend the opening ceremony of the Second Ministerial Meeting of the China-Africa Cooperation Forum, Dec. 15-16, to be addressed by Chinese Prime Minister Wen Jiabao.