Business Briefs

Airlines

ATA Becomes First Bankrupt 'Low-Budget'

ATA Airlines announced bankruptcy on Oct. 27, despite having no unions, relatively new aircraft stock, and the lowest wages in the airline business. ATA is partially merging with AirTran—the rebirth of ValuJet of 1990s infamy—while declaring bankruptcy.

The ATA failure, which will shrink its hub at Chicago's Midway Airport, is the sign of the ongoing collapse of the air carriers, irrespective of size and union-busting, because of fuel costs. Delta's low-budget "Song" airline is also losing money, for example, and is one reason Delta is on the edge of bankruptcy—though on Oct. 26 it announced it had lined up some new financing and debt restructuring to skate for another month or so. Independence Air (Flyi) and other low-budgets are also now deep in red ink.

Labor is no longer the airlines' chief cost, as they have compelled their unions, in bankruptcy court or under threat of it, to cut that cost down so far. But this sin has done the carriers no good; their new number-one cost, fuel, is dragging them down to Hell. United and American, for example, had each lost $1.2 billion, from the third quarter 2003 to third quarter 2004, simply from the difference between what jet fuel cost a year ago, and what its price has become, nearly $1.30 per gallon.

Germany

VW Workers Begin A Series of Strikes

Thirty-six thousand German workers at the Volkswagen company staged a two-hour walkout at the plants in Wolfsburg and Baunatal (Kassel) on Oct. 27, in response to announcements by the management that it intends to cut costs by 2 billion euros. Ironically, the austerity drive at Volkswagen is being spearheaded by personnel director Peter Hartz. He is the very same official who headed the commission which proposed the drastic Federal social austerity plan known as Hartz IV, against which Germans have been demonstrating for months.

Hartz announced, in an interview with the *Frankfurter Allgemeine Zeitung* on Oct. 25, that labor had to help in cutting 2 billion euros by the end of the year, or mass layoffs would be unavoidable. The deadline for agreement was set for Oct. 29.

The autoworkers union announced further protests for Oct. 28, and declared that if the talks fail, they will begin warning strikes and prepare a regular strike vote. This would be the first real strike at Volkswagen in 55 years, and could include all 103,000 workers who are involved in production.

China

Real Estate Soars Despite Govt. Checks

The news agency Xinhua reported on Oct. 27 that real estate prices are "soaring" in China, and there are fears that the government's macro-control measures are failing to "squeeze out the bubbles in the overheated real estate sector." Property prices rose 13% during the first nine months of 2004, year on year, and residential property prices were up 10.9%.

Housing costs are going beyond most people's means, said senior economist Zhang Xueying, despite government clampdowns on credit, and many measures, including control of land-planning, to "cool down" overheated sectors such as property and steel. In Beijing, prices for residential housing are between 7,000 yuan ($843) and 8,000 yuan ($964) per square meter, while the average annual income in Beijing is just 10,000 yuan ($1,205). "If there is no bubble, who will buy this housing?" Zhang said.

Chinese Academy of Social Sciences economist Yi Xianrong said that real estate is the root of China's overheated economy. He warned that the government will face "financial risks" if it does not deal with the real estate bubble. National Bureau of Statistics spokesman Zheng Jingping said, "We cannot rule out speculative factors" in housing prices, and that the government must act to prevent a speculative bubble.

France

Camdessus Presents Austerity Plans

Former International Monetary Fund managing director Michel Camdessus released his report on the French economy, which had been commissioned by Finance and Economics Minister Nicolas Sarkozy. The report, excerpted in the French press on Oct. 18-19, amounts to an across-the-board demand for budget cuts and wage reductions.

Camdessus pointed out that the working portion of the population has dwindled over the last 30 years—youth unemployment is in the order of of 24%, and the unemployment of those over 50 and prior to the retirement age (60), is 36%! That leaves a quite reduced percentage of the population which works, less than in other countries, due to the 35-hour work week imposed by the Socialists.

But the measures Camdessus proposes will not solve the crisis. They include: stopping all the pre-retirement lay-offs; authorizing the retired to be able to use their pensions and work at the same time; and initiating youth to a job in their last years of education. The other precondition to get everybody back to work is to lower wages. The report states explicitly that small rises in the minimum wage, beyond mere re-evaluations to catch up with inflation, must be suppressed.

Hedge Funds

German Economist Warns: New Black Friday

In an interview with the Oct. 25 issue of the *Kölner Stadtanzeiger* daily, economist Wilhelm Hankel said that a crash had already occurred in the Spring of 2000, when the German stock market index DAX dropped from more than 8,000 points to below 4,000.

The explosion of this bubble had the same reason as the Black Friday of 1929, namely credit-financed speculation.

As in 1929, the central banks were to blame also in 2000, because they encouraged speculation through loans at low interest and through money-pumping. With that, market gains of several hundred percent could be made in 1929. In the 1990s, the central banks of Japan, the U.S.A., and Germany did the same, creating a bubble that dried out all loans for real investments. "A Black Friday in highly-speculative hedge funds or in real estate is probably yet to come," Hankel said. And again, the central banks would likely react in the wrong way, increasing the interest rates, which would explode the bubble, he warned.

The European Union's Maastricht system is preventing Germany from adopting a low-interest, anti-cyclical policy, which would be the only way out of the problem. But instead of being loyal to the German constitution, which obliges the government to intervene against an "imbalance of the economy," the present finance minister is like a slave to the Maastricht system. What should be done is to exempt state investment expenses from the Maastricht system, Hankel said, and if the private sector is not investing, the state should intervene.

Argentina

Multis Creating 'Soy Republics'

The World Wildlife Fund (WWF), Greenpeace, and the international food cartels have pushed a "sustainable soy" model on Argentina, Brazil, and other nations. Farm and producer activists reported details to *EIR* on Oct. 25, of the synarchist commodity grab which is wiping out real food production in Argentina. The Agriculture Ministry and various scientific institutes have been roped into this monoculture effort which, according to the Rural Reflection Group (GRR), has "produced an agriculture without farmers" in Argentina. Food cartels and NGOs have colluded to "convert us to a soy republic."

The WWF in September issued its report "Two Scenarios of Soy Production Expansion in South America," on the so-called "sustainable soy" model. This justifies the expansion of soy production, while demanding establishment of ecological parks and other pristine areas, to be kept safe from "contamination"—and real agricultural production. Soy milk and other soy-based foods are now staples in food kitchens for the poor.

"The expansion of monocultures has wiped out the green belts of large and small cities, composed of dairy units, poultry farms and family farms," the GRR states. It warns that the food cartels intend to increase production of exportable soy from 60 to 100 million tons per annum.

Infrastructure

Thousands of German Bridges Near Collapse

A study by DEKRA Real Estate Expertise, the German Federal association of construction experts and inspectors, issued early in October, reveals the rotten state of German physical infrastructure. While the 120,000 road bridges in Germany represent a physical capital worth 80 billion euros, public households are no longer keeping up the investments needed just to maintain these infrastructure installations.

According to the latest round of inspections by DEKRA, almost 20,000 German road bridges (16% of the total) urgently require extensive repairs. Of these bridges, 14,000 are actually in such a bad state that they threaten to fall apart and therefore should be closed for traffic immediately, warns the DEKRA report.

Due to the tight squeeze on public budgets, only 60% of the needed investments for bridge maintenance had been spent in recent years. If nothing changes, almost 50% of German road bridges will have to be qualified as in "critical" condition by DEKRA by the year 2006. That is the year when Germany will invite millions of soccer tourists from all over the globe to participate in the World Championship.

Briefly

LUFTHANSA chief manager Wolfgang Mayrhuber threatened on Oct. 25 to shift transport volumes to other airlines, implying layoffs at Lufthansa, if labor continues to reject cost-cutting by 1.2 billion euros by 2006. In his design, employees are to accept cuts of about 100 million euros over the next three years. The Mayrhuber threat would affect an unknown number of jobs among 55,000 employees.

CHINA'S "energy bottleneck" continues, warned *People's Daily* on Oct. 25. To resolve the power crunch since 2002, China has built many coal-fueled power projects, which will demand an 8-9% increase of coal production in 2004. Conditions in China's coal mines are among the most deadly in the world; over 4,000 miners have died already this year. More coal means more transport. In the first half of 2004, coal transportation increased by 12.2% over last year, "but still failed to meet the demand."

BRITISH manufacturing fell by 1.1% in the third quarter, the government reported on Oct. 23. Manufacturing, mining, and oil refining already account for just one-fifth of the British economy. This was the biggest drop since October 2002, and means more trouble for the New Labour government. Chancellor Gordon Brown is already facing a £6 billion shortfall in tax revenues, said analysts Ernst & Young. It would be a problem for Labour if Brown had to raise taxes before the election, now planned for Spring 2005.

GERMAN industrial jobs will fall by 25% by 2015, forecast a study presented Oct. 21 in Berlin by the Boston Consult Group, which predicts that from 8 million job places in the manufacturing industry, 2 million will disappear in a decade. The study said imports from low-wage countries will increase from 6% to 14%, of which will come from eastern Europe.