Business Briefs

Global Warming

UN Pushes Fraudulent 'Carbon Facility'

The United Nations Development Programme (UNDP) is doing its part in pushing the genocidal Global Warming hoax, by establishing the so-called Millennium Development Goals Carbon Facility. This facility is supposed to reduce global poverty, and the UNDPC has established an agreement with banking and insurance giant Fortis, which is supposed to "use carbon finance to transform markets, help mitigate the effects of climate change and promote a more sustainable future for all," as UNDP Administrator Kemal Dervis put it.

The claim of Fortis and the Global Warming mob is that this program will, in the words of former U.S. Senator Tim Wirth, "produce double dividends—carbon reductions and economic progress in the world's less developed countries."

In fact, the Carbon Facility is a means by which Third World countries are to be helped to *trade away* their rights to develop and industrialize, in exchange for pitiful financial returns. The results would be to provide a pittance in compensation for poor nations remaining poor, and thus continuing to suffer from the ravages of disease, malnutrition, and underdevelopment that have increasingly characterized the underdeveloped world since the advent of the post-industrial era.

Housing Crisis

Mortgage 'Repackaging' Challenged in Germany

The practice of banks packaging mortgages and other loans for resale to other banks or investment funds, conflicts with the constitutional property and personal rights of the citizen, lawyers representing investors have argued before a German government committee. The legal challenges resonate with a Sept. 28 call by Helga Zepp-LaRouche, urging German government officials to abide by their constitutional duty to uphold the general welfare.

The mortgage repackaging practice was also denounced by other experts testifying at Bundestag Finance Committee hearings on mortgage securitization held Sept. 18-19. The hearings were prompted by a wave of foreclosures provoked when some German banks sold non-performing real estate loans to third parties (hedge funds).

According to financial newsletters describing the hearing, law firms representing investors and *Mittelstand* firms (small- and medium-sized producers) argued that the resale of loans violates the confidentiality guaranteed to both sides in a contract, which includes confidentiality respecting banking.

The practice of reselling original loans as assets to other investors, has violated this right in multiple ways:

1. The original borrower is turned into a debtor to some other agency without his consent, and often without any knowledge about it, which creates a financial slave trade of a special kind;

2. New investors who are lured into purchasing leveraged loans in this Ponzi scheme, are defrauded, because they are not told that the loans or assets they are buying are non-performing—hot air, that is;

3. Whereas in Germany, usury is banned, banks have found ways to circumvent that ban by selling the loans covertly to foreign funds, and then bringing them back into Germany under a new title.

Food

Hyperinflation Forces Mexicans To Eat Less

The Mexican press is featuring daily stories on how sharply increasing food prices are forcing Mexican families in every region of the country to eat less, or to go totally without staples such as meat, chicken, milk, bread, tomatoes, fruits, vegetables, or eggs. The daily *El Universal* reported on Sept. 28 that a researcher at the Economics Department of Mexico City's National Autonomous University has calculated that prices of basic food products rose by up to 40% over the past few months.

Over the first two weeks of September, the rate of price increases soared. The central bank reports that the price of tomatoes rose nationally by more than 30% in that period. In the southern border states, the cost of eggs, milk, and meat has risen by more than 50% in the last few weeks, *El Universal* reports; in the state of Chiapas, families can now buy less than half of what they could a few weeks ago. Similar anecdotes are reported from around the country. Prices of products in the basic market basket in Mexico City have risen by 35%, and consumption of sweet rolls has dropped by 20%, the Federal District's Secreary of Economic Development, Laura Velazquez announced on Oct. 3.

Even though he refuses to touch sacrosanct "market" mechanisms, Mexican President Felipe Calderon was panicked enough about the social firestorm building over this food shock, that on Sept. 26 he announced the postponement of higher fuel taxes which his administration had just gotten Congress to pass, out of concern for its "impact on Mexican wallets, especially of lower-income families." Probably he was more concerned about its "impact" on his own political future as President.

Electricity

Italian Parliament To Begin Debate on Nuclear Power

Draft legislation to reduce energy dependence by 50% by 2020 through the use of nuclear power, was introduced Oct. 3 into the Committee on Productive Activities of the Italian Chamber of Deputies. The draft bill was signed by 40 members of Parliament belonging to the conservative Alleanza Nazionale party (AN), and was introduced by committee deputy chairman Stefano Saglia. A member of the committee told EIR News Service that there will be a split in the committee, as a consistent part of the government coalition, if not a majority of it, will be blackmailed by the Green Party. He said, however, that the intent of the bill is genuinely to find broad support from all parties, as its proponents are mainly motivated by the energy crisis.

Italy is currently 84% dependent on energy imports, mainly gas and oil, as a result of a referendum that closed down nuclear plants in 1987. However, it consumes electricity produced by nuclear power plants in France, Switzerland, and Slovenia. The necessity to reduce such dependence is felt by a broad spectrum of forces, mostly in the Conservative bloc, but also in the moderate components of the government Center-Left coalition.

During his recent visit to Rome, economist Lyndon LaRouche insisted on the use of nuclear technology, in dialogue with members of left-wing parties supporting Romano Prodi's government.

Operating Budgets

State Budget Crises Spreading Across U.S.

State budget shortfalls, triggered in large part by the collapse of the Greenspan real estate bubble, are spreading across the United States, and leading to draconian cuts in vital services.

Most dramatic so far was the crisis in Michigan, which led to a four-hour shutdown of parts of the state bureaucracy on Oct. 1. At the end of the shutdown, a temporary budget was passed which legislated a $1.35 billion increase in spending cuts, and in income and sales taxes. The personal income tax rate was increased from 3.9% to 4.35%, starting immediately, and sales taxes were extended to dozens of additional services. The new budget also denies any budget increases to Michigan universities and community colleges this year.

Florida is facing a $1 billion budget shortfall, due to a collapse in revenue related in large part to the bursting of the real estate market. A special session of the state legislature began Oct. 3, where cuts in social services, health care, and education, a tuition increase at state universities, and a variety of additional tax measures were to be discussed.

In Virginia on Oct. 1, Gov. Tim Kaine announced that the state will cut back on services, increase fees, and lay off state employees to cover a $641 million budget shortfall. Kaine mentioned the 16% reduction in the tax revenues from recording deeds (related to housing sales) as one of the major reasons for the budget crisis.

Finance

Major International Banks Are in the Red

On Oct. 1 the largest Swiss bank, UBS, reported a $700 million third-quarter loss, most of it the result of the UBS acting as just another sucker for a hedge fund—in this case, its own hedge fund, Dillon Read Capital. This is UBS's first quarterly loss in nine years.

UBS admitted losing $3.4 billion in its fixed income portfolio (translation: U.S. subprime mortgage assets). UBS will now dump 1,500 workers and two top executives, having shut down Dillon Read Capital in May.

JPMorgan has forecast that more banks will report losses for the second half of 2007, according to the *Financial Times.* The new report says that Europe's leading banks will lose 594 million euros in profits, and 788 million euros in revenue, with London taking the biggest loss.

Hans Vrensen of Barclays Capital said there has been no real issuance of securities in London since mid-July, and no loans sold: "All of a sudden, the music stopped." Banks and others are holding an estimated £850 billion of asset-backed securites in Europe, and £400 billion in the United Kingdom, according to Barclays Capital.

On Oct. 5, Merrill Lynch reported a quarterly loss, after it had to write down $5 billion in mortgage-backed securities and leveraged buyout loans.

Briefly

FRANK WOLF, a Republican Congressman from Virginia, has called for the condemnation of the first U.S. private toll road, on the basis of improper use of eminent domain in building the Greenway in Northern Virginia. Wolf was addressing a telephone town meeting on the question of the huge toll increase now being demanded by the road's owner, McQuarrie Bank of Australia.

ALAN GREENSPAN admitted on Oct. 2 that it was the policy of repackaging mortgages into securities—which at the time, he called "unprecedented economic growth"—that caused the financial system to blow up. "People always say it's the subprime market that created this crisis … [but] it's the sub-prime asset-backed market which did it," the *International Herald Tribune* quoted Greenspan as saying.

THE ORGANIZATION of the Islamic Conference, through their foreign ministers, issued a statement Oct. 3 expressing support for all nations' inalienable right to develop nuclear power. The statement was issued after the annual meeting of the group, which was held at the United Nations in New York.

TOM SHANNON, Assistant Secretary of State, threatened Argentina on Sept. 28, when he told EFE news service that Argentina's success in renegotiating its $6.2 billion debt with the Paris Club of creditors would depend upon whether the IMF and Argentina could "reach some kind of common understanding."

LORD OXBURGH, former chairman of Shell Oil, warned in a Sept. 17 interview with the *Independent* of London, that the price of oil could hit between $100 and $150 per barrel. Rather than express alarm, he concluded that once this happened, alternatives, like ethanol and biodiesel (in which the Lord is heavily invested), would become more attractive.