

# Business Briefs

## Commodities

### Press Promotes 'Gold Rush' In Japan

"A modern-day gold rush is sweeping the nation," Japan's *Nikkei Weekly* reported on March 18. "Many wealthy citizens are changing their asset allocations from bank deposits to other investment tools such as gold, and the move has steadily pushed up prices of the metal. Gold imports tripled year-on-year to 8.17 metric tons in January, up 110% from last December. The quantity of gold sold in February at Tanaka Kikinzoku Kogyo retail stores nationwide, increased ninefold from the same month last year.

"Below Japan's Zen-like surface calm, a big fish is roiling the lower depths: consumer unease about the direction of the yen, the economy and the banks," the *New York Times* reported on March 14. "Since last November, the surge in Japanese gold sales has contributed to a 10% strengthening in world gold prices. Measured in yen terms, the jump was 18%. Investment demand for gold in Japan has had an impact on the global gold market. "The topping at \$300 per troy ounce early in February in the New York market was caused in part by Japan's growing demand for gold," said Koichiro Kamei, managing director at Market Strategy Institute.

## Trade

### U.S. Trade Deficit Continues To Rise

In January, America's trade deficit on goods and services rose to \$28 billion, from a December 2001 deficit of \$24.7 billion, and its trade deficit on merchandise (physical) goods alone rose to \$34.1 billion, from \$31.0 billion in December.

The principal reason for the growth in the deficit is that imports rose, while exports remained the same. Some economists tried to present a widening trade deficit as a good sign. Britain's Reuters news service claimed that the deficit occurred as "an improving [U.S.] economy boosted demand for foreign

oil and other imports."

But there are three reasons that this "analysis" is bunk.

First, about 40% of the physical goods imports increase in January, relative to December, was due to imports of consumer goods, which could fall back. One-sixth of the increase in imports was due to an increase in the dollar value of oil imports, which in turn reflected mostly a price increase in petroleum in January.

Second, while this January, import levels increased relative to their very depressed levels in December, January's physical goods import levels, at \$106.5 billion, are still down 13.7% from the \$123.4 billion level of January 2001. This January's physical goods exports, at \$54.8 billion, are also sharply down—by 15.7% from the \$65 billion level of January 2001.

Third, America's appetite for such a large volume of physical goods imports is not a sign of health, but rather reflects the fundamental condition that America can no longer reproduce its own existence by its own productive facilities, and must siphon off physical goods, imported from the rest of the world, to prevent an increase in the rate of collapse.

## Pensions

### Bankrupt Steel's Benefit Costs Loom

The United Steel Workers of America is promising a fierce fight to assure that its members and retirees retain their benefits from the 32 (and counting) steel corporations which have gone bankrupt. A March 13 statement from union President Leo Gerard says that the battle over the "Steel Industry Retiree Benefits Protection Act of 2002," expected to be introduced into the Congress, will be "the fight of our lives, . . . a fight that will make the battle to secure tariff remedies seem easy." It urges locals to begin to gear up for demonstrations in support of the measure.

Gerard testified on March 14 before the Senate Committee on Health, Education, Labor and Pensions, chaired by Barbara Mikulski (D-Md.). He reviewed various Bush

Administration general proposals for increasing health benefits, such as tax credits and the "Medicare Prescription Drug" legislation; pointed to their obvious inadequacies; and declared that the USWA insists that honoring pension and health benefit promises is as important as tariff relief. Gerard told the committee, "No one is asking us to bail out the bosses; this is to help real working people who have suffered."

While continuing his attack on unfair trade policies, Gerard refrained from direct attacks on alleged "competitor" nations such as China and Russia, and in a welcome departure from previous statements, made no reference to "world overproduction of steel."

In once steel-heavy Pennsylvania, state Democrats have introduced a bill for Harrisburg to pay full medical benefits to 5,000 retirees of the bankrupt LTV steel company, who would each pay a \$100 a month premium. But there is no sign that Pennsylvania has the money to do so. Health-care and other benefits will also soon run out for thousands of newly unemployed steel workers, as well as the retirees. Will state Republicans, who control the legislature, pass the bill? While some in the GOP are riding the crest of President Bush's new image as "friend of steel," they are not jumping to authorize new spending laws, with the state facing a \$777 million deficit in fiscal 2002, which ends in June.

In Harrisburg, the Commerce Committee held an "informational hearing" on important state funds, including pensions. State Rep. Harold James (D-Phila.) demanded an accounting of the size of the financial-derivatives involvement of these funds.

## Demographics

### World Population Growth Keeps Falling

The United Nations Population Division is considering another drastic revision downwards, in its long-term projection for the world's population, according to the United States East-West Center in Hawaii.

Demographers held meetings at the UN in the middle of March, reportedly to consider reducing the agency's forecast of hu-

man population for the year 2050, to 7.9 billion people.

While no forecast will be formally released until later this year, such a drop would be very large, reflecting the continuing ravages of lower fertility, increasing mortality and decreasing life expectancies in many countries gripped by economic collapse or war, or both.

As recently as the late 1980s, demographic agencies' forecasts for human population in 2050 ranged from 10-12 billion, depending on varying assumptions for fertility under birth-control regimes, but never assuming that mortality would increase. In the first half of the 1990s, the UN's own 50-year forecast called for 9.4-9.5 billion; only in the UN's *State of the World Population* report of 2000, was the projection lowered to 9 billion. Another reduction in 2002, this time by a billion people or more, would be astonishing.

For an idea of how fast the human population's future is shrinking, consider that only in 2000, the UN Population Division forecast just under 7.9 people on Earth in 2025—the projection they now may be about to adopt, for 2050. This would correspond to a tiny annual population growth rate of about one-half of 1%.

## ***Economic 'Recovery'***

### **New York City Sees Homelessness Soar**

The number of homeless people in New York City has skyrocketed in the last 12 months, with an average of 32,000 people sleeping in shelters each night in February, up 23% over the same month last year. According to an article in the *New York Times Magazine* on March 24, "To Be Young and Homeless," by Jennifer Egan, this is the biggest one-year increase in the city's shelter history, and, possibly since the Great Depression. The number of homeless is higher than the previous record, reached in 1987, of 28,737 sleeping in shelters on an average night.

Most troubling is the fact that *families* now make up 75% of New York's shelter population: 13,000 children slept in shelters and temporary apartments provided by the

city, on any given night this past Winter.

Beginning in the 1990s, Mayor Rudolph Giuliani's administration forced the homeless to undergo arduous procedures to "prove" their homelessness, in order to receive assistance. The person or family was placed in a shelter or temporary "apartment," with sparse furnishings and few amenities, while an investigation was conducted to determine whether alternatives, such as relatives, existed to city-provided housing.

According to the *Times*, the typical homeless child is under five years of age, "very poor, and living with a sibling and single mother." Nationally, "in an era regarded as generally prosperous," the *Times* noted, "the numbers are staggering: Between 900,000 and 1.4 million children in America are homeless for a time in a given year."

## ***Labor***

### **Italian Unions Plan General Strike**

The three main labor federations of Italy—CGIL, CISL, and UIL—announced their commitment to hold a nationwide strike for eight hours on April 16. The CGIL, by itself, organized a protest rally in Rome on March 24, which drew well over 1 million people, Italy's largest labor protest ever. The strikes are occurring against new Italian government labor rules which will cause job losses, in turn stemming from the European Union's Maastricht Treaty austerity provisions. After Mario Biagi, the government official who was helping formulate the new regulations, was assassinated on March 19, by the intelligence agency-linked "Red Brigades" terrorists, the unionists included an anti-terrorism plank in their protests.

Also in Germany, labor is beginning to show unrest, with warning strikes of between 4,000 and 5,000 metal workers in the eastern states, notably in Saxony and Berlin. The metal workers in the western states are set to begin warning strikes on March 29, when the "conciliation period," which is mandatory under German tariff bargaining regulations, expires.

**DEFENSE** capital goods orders in the United States rose a huge 78% in February, driving durable goods orders to rise 1.5%, when they otherwise would have fallen by about that amount. Orders for computers and electrical products fell 2.4%; for semiconductors, 8.9%; and primary metals orders fell 3.1%. Unsold durable goods inventories rose by 0.5% in February.

**ARGENTINA'S** biggest gas distributor, Metrogas, will default on \$425 million in bonds, loans and notes. The announcement on March 25 added to the financial panic caused by the collapse of the Argentine peso to 3.5 to the dollar; the company blamed its default on the currency panic. Metrogas is owned by British and Spanish gas producers.

**MARCONI**, the 116-year-old British electrical engineering company once known as General Electric Co., is going bankrupt. About three years ago, Marconi Plc abandoned its defense-equipment production, and instead spent more than \$8 billion to become one of Europe's largest producers of Internet equipment. Since the peak of the "New Economy" euphoria about two years ago, Marconi's sales have collapsed, and the company had to fire 13,000 workers. On March 22, Marconi announced that its main creditor banks had refused to grant any new loans.

**MAJOR U.S. ENERGY** companies saw a decline in their 2001 profits. Net incomes for 22 big energy firms fell 65% in the fourth quarter of 2001, compared to the last quarter of 2000, and 15% for the year overall, according to the Energy Information Administration. The year also saw a spate of mergers, led by Chevron-Texaco, El Paso-Coastal, and Phillips-Tosco. In March 2002, the most rapid increase in gasoline prices in 50 years took place.

**THE NUMBER** of U.S. workers filing new claims for jobless benefits is running unexpectedly high, reaching 394,000 per week in late March.