Business Briefs

Electricity

Nuclear Power Option Keeps Moving Forward

Nigeria President Olusegun Obasanjo has pledged that Nigeria will build a nuclear power plant within 12 years. Speaking at the inauguration of the board of the Energy Commission of Nigeria on July 31, he said: "Today . . . marks day one in the timeline of our national nuclear electricity program," which said that Nigeria would use its nuclear capability to enhance electricity generation and improve agriculture. Nigeria is in collaboration with the International Atomic Energy Agency (IAEA) on the project.

In the United States, UniStar announced on Aug. 3 that it has entered into agreements to procure from abroad the heavy forgings needed for the first new U.S. nuclear plant that will be built in nearly 30 years.

Hedge Funds

London, New York Bettors Taking It on the Chops

In July, for the third month in a row, the wizards of London, Wall Street, and Greenwich lost money, according to Merrill Lynch, which estimated the July losses of the sector as 0.8%, following May's 3.4% loss and June's 2% loss estimates. Lyndon LaRouche called it the continued "winnowing" of the hedge funds by the global financial crash in process.

One of the largest New York Energy Hedge Funds has shut down after suffering big losses on natural-gas derivatives in June and July. MotherRock LP was set up in early 2005 by former New York Mercantile Exchange president Robert Collins. MotherRock's energy fund recently lost $230 million—more than half of the $430 million managed by MotherRock—as speculators pulled money out amid high volatility in the natural-gas market. Natural-gas prices have surged as hedge funds rushed to cover bets that prices would fall, spurred by rumors that "a big market entity was being forced to buy as prices rose." The demise of the hedge fund could threaten other members or customers of the New York Mercantile Exchange, through derivatives contracts.

German Economy

Capital Investments Are Plunging

Capital investments in Germany by government (infrastructure), corporations (factories, equipment), and private households (housing), have dropped precipitously from 450 billion euros to below 400 billion euros, since 2000, *EIR*'s Germany bureau reports. Most of the remaining capital investments are now going to the various service sectors.

The manufacturing sector, which accounts for almost all of German exports, is now only investing about 60 billion euros per year into its physical capital stock. Housing construction is falling as well. However, the most dramatic collapse in capital investments is taking place in the public sector. Here, investments fell from 47 billion euros in 1992 to 29 billion euros in 2005. In the case of municipalities, which account for two thirds of public investments in Germany—for expenditures to maintain or upgrade roads, canals, waste management, schools, hospitals, and other physical infrastructure—dropped nearly by half, from 30 billion euros in 1992 to 16 billion euros last year, according to figures published by the Bundesbank (central bank).

According to the data in the Bundesbank report, net capital investments are now rapidly shrinking, while at the same time, savings are rising to all-time highs. Last year, private household savings amounted to 174 billion euros, and corporate savings to another 56 billion euros. Even after subtracting 82 billion euros for the public deficit (negative savings of the state), there was still 147 billion in total savings by the German economy. But net capital investments amounted to only 59 billion euros. The difference is made up by financial investments of private households and corporations, which are then channeled abroad. Thus, almost 100 billion euros in capital investments per year are now being taken out of the savings/investment cycle by financial speculation.

Privatization

Mineta Moves to New Job Promoting 'PPPs'

Former Transportation Secretary Norm Mineta is moving on to make his fortune by promoting public-private partnerships (PPPs), which is the buzzword for the elimination of government's traditional role in infrastructure building. Mineta, who as a California Congressman from 1975-95 was known for "forging public-private partnerships," and who as Bush's Transportation Secretary promoted more of the same for every aspect of the nation's transportation network—including the privatization of Amtrak—has gone on to greener pastures at the public relations firm Hill & Knowlton. This firm is key player, globally, in promoting PPPs for every aspect of infrastructure, from post-tsunami reconstruction in Asia, to work in rural villages of India and South Africa, to projects in Philadelphia.

When Mineta talks on behalf of his new clients at H&K, it is PPPs that will be on the agenda, as they have been with him for decades.

Auto Sector

U.S., Canadian Sales Collapse on All Fronts

The total industry-wide auto/SUV/light truck sales for July show an important economic-collapse trend. In the United States, total sales in July were 17.4% lower than in July 2005—by far the biggest drop in the six months of year-to-year drops so far this year, while July is supposed to be the leading auto sales month of the year. This is a bad economic indicator, with implications for the not-yet-released July jobs report. Americans and automakers alike are being crushed by hyperinflated energy—and other—prices, just as the major airlines were.

The report released on Aug. 2, on Canadian auto sales, indicated they fell 8.5% from July 2005, and are now 1% below 2005 for January-July as a whole.