

Business Briefs

Banking

ECB Is a 'Neapolitan Garbage Dump'

"The European Central Bank (ECB) has become a Neapolitan garbage dump," an Italian banking source commented to *EIR*, referring to the ongoing trash pick-up crisis in Naples, the result of a strike. He was commenting on a Jan. 31 *Financial Times* report, that Eu30 billion of securitized junk has been packaged by Rabobank, an Anglo-Dutch megabank, for the contingency of using it as collateral for borrowing from the ECB through its lend and repurchase (repo) operations.

According to the *Times*, Rabobank, the only bank still holding a AAA rating from Standard & Poor's, has packaged mortgage loans in order to keep them on its balance sheet as bonds, ready to have as collateral to offer the ECB, in case of a liquidity crisis.

This is similar to what Spanish banks, in particular, have done since last December, i.e., issuing securities for which there is no market, except at the ECB repo facility. In December alone, Spanish banks borrowed Eu63 billion through this facility.

In doing this, the ECB is de facto bending its statute, which allows it to lend money directly to banks only in extraordinary cases, and only against prime collateral. Acting this way, the ECB has bailed out major sections of the European banking system since December, offering temporary cash life-support to a corpse.

Infrastructure

Rail Workers Call for Rebuilding U.K. Rail

The British Railway Workers Union (RMT), which recently called for renationalizing Britain's railway system, has proposed the rebuilding of a national railway industry to produce rolling stock. The union was responding to the government's release Jan. 30 of a plan stipulating that new trains should be designed and built in Britain. Making sure that rolling stock is built in Britain,

would use the wealth of engineering skills that still exist, and give a massive boost to an industry that has suffered many blows in the years of privatization, said RMT General Secretary Bob Crow.

Crow made the point that other countries in Europe manage to protect their own manufacturing industries, and there is no earthly reason why Britain cannot also adopt a procurement policy that safeguards jobs and train-building capacity. "The 1,300 extra carriages confirmed [by the government] today is a first step towards catching up with existing rail demand and the 30% increase expected in the next decade," Crow said.

Energy

Former Greenpeace Leader: Go Nuclear!

"All the money that's going into subsidizing solar is a waste of money," Patrick Moore, the co-founder of Greenpeace, said in an interview Jan. 31. "The \$3.2 billion that California is subsidizing in solar would build a 1,000-MW nuclear plant and provide 10 times as much power into the system—and on a reliable basis," Moore told CNet News. Com in an interview titled "From Eco-Warrior to Nuclear Champion."

Moore, the former Greenpeace leader, who is now a nuclear advocate, said that he began to rethink energy policy after he left Greenpeace: "[I] realized that I had been incorrect in my analysis of nuclear as being some kind of evil plot."

"There is no possibility that California can meet its objectives [for emission reduction] without new nuclear ... to supply the electricity," Moore said.

California law, as designed in the 1970s by neo-con Albert Wohlstetter and his greenie colleague Amory Lovins, prohibits a new nuclear plant in the state until there is a national waste repository. But Wohlstetter and Lovins promoted the lie that nuclear waste is the equivalent of a nuclear bomb, attacking the reprocessing of spent fuel (97% of which can be made into new nuclear fuel), and shrouding in fear any efforts to establish a national spent fuel repository.

Climate

Second Avalanche Hits Highway in Washington

It didn't look like global warming. A wall of snow, 400 feet long and 30 feet deep, fell from the slopes of the Snoqualmie Pass onto Interstate 90 on Jan. 31, trapping several cars, but, miraculously, not injuring anyone. It was the second avalanche in two days on the stretch of highway through the Cascade Range, about 30 miles east of Seattle, Washington.

The interstate had only been open for about five hours, after being closed the previous morning from an earlier avalanche in the same vicinity. Area residents could not recall even a single such event in the past. The snow resulted from the convergence of two storm systems, one from California and another from the Gulf of Alaska early in the week, and a third which hit the following day, according to meteorologists.

Agriculture

Suicide Rates Soar Among Indian Farmers

While Harvard-trained Indian Finance Minister P. Chidmabaram was telling the globalization crowd assembled at the World Economic Forum in Davos, Switzerland, how rapidly India is developing, with an 8.5% annual GDP growth, farmer suicides are rising dramatically. The National Crime Records Bureau (NCRB) in its report "Accidental Deaths and Suicides in India, 2006," reported that farm suicides in the Indian state of Maharashtra rose that year, more than in any other part of the country. Maharashtra saw 4,453 farmers' suicides, more than a quarter of the all-India total of 17,060. NCRB data record 166,304 farmers' suicides nationally, in the decade since 1997.

The Manmohan Singh-led United Progressive Alliance government, of which Chidmabaram is a part, has run down India's agricultural sector to funnel money into foreign-exchange-earning ventures, such as the

Briefly

IT sector and urban development.

Most of the farmers who committed suicide did not have access to bank loans and depended on extremely high-interest loan-shark money. Crop failure, or overproduction, relative to the ability of the population to afford food, led to acute financial crisis for these farmers, before they decided to take their own lives.

Biofoolery

Ethanol May Link to E. Coli in Meat Supply

Feeding the by-product from corn ethanol distilleries to cattle—a practice that has become widespread in the U.S. cornbelt because of the biofuels craze—may be contributing to the spread of E. coli contamination in the food chain.

Researchers at Kansas State University released a study this month, showing that cattle have significantly more E. coli present in their intestines, when fed a ration high in dried distillers grains, or DDG, the name for dried “used corn” from ethanol plants. The presence of E. coli 0157.H7 was twice as high in cattle fed DDG, than those whose diet excluded it. This result held up, in three rounds of feeding and testing, according to a report in the January 2008 issue of the *Journal of Applied and Environmental Microbiology*.

One hypothesis is that the DDG alters the acidity level in the gut, to make it more conducive to bacterial growth. Animal husbandrymen are also worried about the impact of wet distillers grains, used for livestock feed in some locations, and favored by some ethanol plant operators, who don’t want the expense of drying it. Wet DG might provide more opportunity along the feed chain for pathogens to multiply.

Various strains of E. coli are commonly present in the guts of healthy cattle, but a mechanism like this to foster the prevalence of the bacteria is a major public health threat. At present, E. coli sickens over 70,000 people a year in the U.S., with 60 deaths, according to the Centers for Disease Control and Prevention. The U.S. Department of Agriculture is conducting a study of

the E. coli-DG cattle feed connection, at its Meat Animal Research Center in Nebraska.

The Iowa Cattlemen’s Association estimates that cattle producers in the state are currently using about 30 to 40% DDG in their feed rations. For feedlot operators, the comparative cost advantage is that DDG sells for about \$2.85 a bushel, compared to corn, which can now cost more than \$4.00. In turn, ethanol plants want the extra revenue from selling the used corn, to cheapen their distillery costs.

Déjà Vu

Herbert Hoover’s Great 1929 Stimulus Package

With the great Bush/Paulson stimulus package of 2008 working its way through Congress, we are reminded of yet another such effort: the great Herbert Hoover stimulus package of 1929. In late 1929, after the stock market crash, but before the Depression had really set in, President Hoover summoned some of the nation’s top industrialists and merchants to Washington to agree on a package of measures to stimulate the economy. Hoover’s plan included \$160 million in Federal tax relief, promises from the Fed of cheaper credit, promises from leading employers not to reduce wages, promises from labor unions not to seek higher wages, promises from industrialists and railway leaders for capital expenditures, and increased government construction spending.

“Such guarantees that the wheels of business would not slow down under the sudden loads of Loss & Fright could be created only by a powerful force,” *Time* magazine reported Dec. 2, 1929.

We all know how that turned out, with the economy plunging into the deepest depression the U.S. had known, only to be reversed with the election of Franklin Roosevelt and his war on the “economic royalists” in defense of the general welfare of the population. Today, we have George Bush in the role of Herbert Hoover and Henry Paulson in the role of Treasury Secretary Andrew Mellon, which means we’d better find someone to fill the role of FDR pretty damn quick.

AN IAEA TEAM is in the Philippines to help assess the feasibility of rehabilitating the mothballed Bataan nuclear plant. The 620-megawatt plant was completed in 1984 but never operated, because of pressure from the economic mafia of George Shultz and his Philippine hitman Paul Wolfowitz.

NUCLEAR VENDORS Areva of France and Toshiba’s Westinghouse of the United States have submitted bids to South African power utility Eskom, to build large nuclear plants. *World Nuclear News* reported Jan. 31 that the first plants would be in the Western Cape region, far from the nation’s coal supplies. A second round of bids this year will be for a fleet of nuclear plants with a total of 20,000 MW. This is in addition to South Africa’s program for an indigenous fourth-generation pebble bed reactor, a modular high-temperature gas-cooled reactor designed for domestic use and export.

FRENCH ECONOMIST Paul Fabra denounced President Bush’s fiscal stimulus package for weakening the dollar. He wrote in the daily economic paper *Les Echos* Feb. 1, “The successive, massive lowering of interest rates by the Fed will benefit banks, and banks alone. The new tax breaks [stimulus policy] and increasing budget spending proposed by the Bush Administration contain the awful threat for the outside world of a supplementary weakening of the dollar. One would like to scream: Please stop resuscitating a rotten system. . . .”

BAD CAR LOANS in the United States increased 30% in 2007, reported the French daily *Le Figaro* Jan. 31, under the headline “After the home foreclosures, foreclosures on automobiles.” To make up for losses, automobile companies are now going with seven-year loans covering up to 125% of the car prices. Right now, says *Le Figaro*, the average debt of U.S. car owners is \$4,221 above the value of their cars.