

Business Briefs

Machinery

Japanese, German Orders Are Falling

According to new figures released by the Japanese government's Economic and Social Research Institute on April 9, Japan's core private sector machinery orders plunged 9.6% in February compared to the previous month. Core machinery orders, which exclude machinery orders for ships and electric power firms, are regarded as a key indicator for overall capital spending 6-9 months in the future. In the same period, public core machinery orders in Japan even crashed by 21.2%. Foreign orders for Japanese machines fell 20.1%. In terms of machine categories, biggest hit were orders for transport machines (-39.6%) and information services equipment (-35.2%).

At the annual industrial fair in Hanover, Diether Klingelberg, President of the German machine building association VDMA, said that another 25,000 jobs will be eliminated this year in the German machine building sector. Domestic consumption of machines is shrinking. German machine exports to the United States, says Klingelberg, are very threatened by the trans-Atlantic political conflict. However, counter-balancing these problems, he emphasized, are rising exports to China, Russia, and the Middle East.

U.S. Dollar

Threat of Crash Centered in Asia

"The mother of all threats" is a dollar crash, headlined the German *Spiegel* magazine on April 7. There is "growing fear in financial markets of a sudden downturn of the U.S. economy." Bankers, including Goldman Sachs chief economist Jim O'Neill, were quoted, saying that a dollar ratio of \$1.40 to the euro is quite possible in the medium term. Mideast oil exporters are debating about selling oil against euros, instead of dollars. And

central banks, including Russia, China, Taiwan, and Canada have already announced plans to replace some of their dollar holdings with other currencies or gold.

The biggest threat for the dollar, states *Spiegel*, lies in Asia. Much of the huge U.S. current account deficit is being financed by capital flows from Japan, China and other Asian countries. The Bank of Japan alone holds \$363 billion in U.S. Treasuries, the Chinese Central Bank holds another \$102 billion. Sooner or later, investors from Tokyo, Beijing, and Hongkong will no longer be willing to take the risk. At this point, says economic historian Harold James of Princeton University, there will be "the great crash." The dollar, as well as the U.S. economy, will go under. It could turn into a global currency crisis, adds O'Neill. He says, "President Bush is right now trying to refute economic theory and economic history. He will fail."

Concerning the threat of a dollar crash, *Newsweek* for April 7 warned, "Forget the Iraq war. Forget the trans-Atlantic conflict. The mother of all threats is lurking at a different front."

Spiegel compared the coming upheavals centered around the fall of the U.S. dollar to the 1971-73 collapse of the Bretton Woods fixed-exchange rate monetary system created in 1944, which "secured stability at global foreign exchange markets for more than 20 years."

Unemployment

High U.S. Rate Is Being Hidden

It is becoming widely recognized that official U.S. unemployment data are hiding the real level of unemployment, and masking its rise. Hundreds of thousands of Americans have lost their payroll jobs during the first months of 2003, but the official U.S. unemployment barely rose from 5.7% to 5.8% between January and March. Even the *Wall Street Journal*, in an analysis on April 7, recognized that this is impossible, and is becoming a scandal. The *Journal* stated that, "with

all that is going wrong in the U.S. economy, economists are starting to suspect that the current unemployment rate of 5.8% . . . could be underestimating the true level of distress in the labor market."

The paper reported some of the ways by which the Labor Department Bureau of Labor Statistics (BLS) "misses" the real number of unemployed. "Many laid-off workers . . . are simply setting themselves up as independent consultants operating from their home offices." They are self-employed. Many of these "self-employed" consultants may work only one-third as many hours as they did when they had a job—or have no clients and thus have no work at all—but they are still counted by the BLS as employed. The *Journal* noted that others, after months of futilely searching for jobs, may have become "too discouraged to look for work." Indeed, this category has risen by 360,000 workers during the past year. But the BLS has made "too discouraged to look for work" into one measure within the broader category of "Not In the Labor Force." In order to be counted as unemployed, a worker must be classified as "In the Labor Force." Thus, the "too discouraged" are not considered as unemployed.

Thirdly, the *Journal* reported, "some are simply opting to take what they can get, working part-time at low-wage jobs that provide some health benefits." These workers are "Part-Time for Economic Reasons." The number of such workers has increased by 500,000 during the past year.

EIR has determined a real U.S. unemployment rate of approximately 11.9%—about 18 million actually unemployed—as of March 2003: 8.45 million officially unemployed; 4.76 discouraged job-seekers who "want a job now"; and 4.7 million forced into part-time work.

Worse, of the 8.45 million officially unemployed (that is, reported as such by the Bureau of Labor Statistics), 22% have been unemployed for six months or more.

The Business Roundtable, whose 150 member firms have a combined workforce of 10 million and combined revenues in the trillions, reported in an April survey that 45% of CEOs plan to cut more jobs in the coming six months, while only 9% expect to hire new workers.