

Business Briefs

Demographics

UN agency confirms holocaust in Africa

A report focussing on the impact of AIDS on the African population's lifespan, released on Oct. 28 by the UN Population Division (UNPD), reveals a continent-wide holocaust. The UNPD, unlike the UN Population Fund (UNFPA), is a demographic agency. The holocaust has been covered up by the UNFPA, which sponsored the 1994 Malthusian "Cairo Conference." Rather than simply making this "1998 Revision" available to and through UNFPA, the UNPD released a 40-page summary to press around the world.

The African population, reported to be 778.5 million in UNFPA's "State of the World Population 1998," less than two months ago, is reported by UNPD to be only 749 million—30 million Africans fewer! Comparing the new estimates to both UN and U.S. Census Bureau figures for 1997 and 1996, it is possible that the entire African population is now at zero growth or even falling, though the UNPD has not drawn this conclusion.

The new report zeroes in on only one cause for the drastic drop in life expectancy: AIDS. In the 29 African countries hardest hit by the disease and its co-factors combined, mortality is zooming and life expectancy is falling: from 49.2 years in the interval 1985 to 1990; to 48.5 years in 1990-95; to 47.5 years currently; and, it will fall further during 2000-2005. Some individual countries:

- In Zimbabwe, life expectancy has fallen from 52 years in 1990-95, to 44 years in 1995-2000, and it is expected to fall to 41 years in 2000-2005.

- In Botswana, life expectancy has fallen from 61 years in 1990-95, to 47 years in 1995-2000, and is projected to fall to 41 years in 2000-2005.

- In South Africa, life expectancy is expected to fall from 59 years in 1990-95, to 45 years 2005-10.

The report adds Uganda and Burundi to the list of countries whose population is now declining, which includes at least 10 African nations and more than 30 nations worldwide. And the new, drastic downward revisions of the population estimates for Nigeria and South Africa, by 15% each, raise the possi-

bility of falling populations there as well.

The UNFPA will have to cancel its "official" pronouncement of a world population of 6 billion, planned for July 1, 1999. Based on the Population Division's new, lowered, global estimate, there is no prospect of the human race reaching 6 billion by that time. Further such "shocking" reports will be expected, as long as the worldwide collapse of the physical economy is not reversed.

Corporate

Crisis causes U.S. capital spending cuts

Many corporate expansion plans in the United States are on hold, the Oct. 26 *Wall Street Journal* reported. The cutbacks have been triggered by a credit crunch and the present systemic world financial breakdown.

Motorola, Inc., for example, recently halted construction of a \$3 billion semiconductor project in the state of Virginia. Dozens of other firms are similarly abandoning plans for expansion. Already, companies such as Phelps Dodge Corp., Levi Strauss & Co. (clothing), and Western Digital Corp. have announced project cuts, and similar retrenchments are expected to multiply in the months ahead.

A survey in mid-October by the National Association of Manufacturers found that nearly 47% of its 60 board members planned to "significantly reduce" their capital outlays as a result of financial and economic turmoil around the world.

Insurance

Bush league defends Brits in Lloyd's battle

British interests are intervening into the U.S. Congress to stop the modification of U.S. securities laws, in the context of a battle between Lloyd's of London and its American Names investors, *EIR* has been told. Lloyd's, facing massive losses on its asbestos insur-

ance contracts, lured in thousands of new investors, and saddled them with the losses. Once again, the Brits have found the George Bush networks to be their dutiful servants.

The American Names Association, as part of their long-standing battle with Lloyd's, had arranged with U.S. Senators to get a modification of U.S. securities law included in the omnibus bill at the end of the recent session, according to a source. However, one of the ANA members blundered by contacting Sir George Bush, his son Texas Gov. George Bush, and Brent Scowcroft, to get them to apply pressure on behalf of the Names. The next thing you know, the source said, the British Ambassador to the United States was buttonholing Congressmen, warning that the proposed legislation would cause turmoil and interfere with treaties under negotiation. The modification was dropped.

Rep. Thomas Bliley (R-Va.) played a key role in getting the modification killed, the source said.

Banking

Bank of America 'loans' were an equity position

In October, Bank of America, America's biggest commercial bank, announced that it had taken a \$372 million loss on a loan to securities trader D.E. Shaw & Co., and had bought about \$20 billion of securities held in a Shaw fund. Like the Long-Term Capital Management hedge fund, Shaw had bet that the rates of other financial instruments would "converge," i.e., move closer, to the rates of 10- and 30-year U.S. Treasury bonds. Instead, there was a divergence and, like LTCM, Shaw lost considerable sums.

Last year, Bank of America made what it called a \$1.4 billion loan to Shaw. But, it turns out that the loan was not really a loan. The Oct. 26 issue of *Newsweek* magazine reported, "The loan terms were unusual, because rather than being at a fixed rate, the interest included half the fund's [Shaw's] profits. [Bank of America] was also obligated for half of the fund's losses. What looked like a loan was actually a huge bet on Shaw's trading strategy." What Bank of

America effectively had, was an equity position in Shaw.

Some individuals are now suing Bank of America for not telling the truth about this "loan" to Shaw. But, this also raises the question of how many commercial and investment banks have relationships like this, in which they have attempted to disguise equity stakes in speculative hedge fund firms as loans.

Further, Bank of America's purchase of \$20 billion of bonds and securities from D.E. Shaw means that it is attempting to perform a function for Shaw of the character of what Federal Reserve Chairman Alan Greenspan is attempting to do for different parts of the speculative market system as a whole: hold onto the \$20 billion in instruments, and sell them "when the market turns up." If it can't, then Bank of America may have losses far greater than \$372 million.

Political Economy

City of London 'is an overhead' cost

The City of London represents an "overhead cost," an expense on the British "real economy," writes Prof. Stephen Bush, in an open letter to the Oct. 27 London *Daily Telegraph*.

Referring to a piece in the "City Comment" column of the paper on Oct. 22, Bush states, "City Comment was wrong to suggest that '4 million people making things' contribute about the same to the 'national economic cake' as a quarter of a million people in the City." He notes, "It is an accounting fiction that the City 'produces' 20% of our national output. Much of its so-called 'output' consists of elaborate financial manipulation directed at attracting a disproportionate share of real output to itself. City folk don't spend their money on more insurance policies, bank accounts, derivatives and other financial 'products.' They buy the products of the real economy—cars, clothes, houses."

Therefore, says Professor Bush, "Financial services and much of the City do not represent output—but are overhead costs on the output of the real economy. The fact that we have a higher proportion of our labor force

engaged in financial services than any other major economy is a weakness, not a strength. Viewing Britain as an economic enterprise, we should be doing our utmost to reduce, not expand this overhead."

Southeast Asia

World Bank expert warns poverty could double

Richard Newfarmer, the World Bank's leading East Asia specialist, told an Oct. 29 seminar at Chulalongkorn University's Sasin Graduate School of Management in Thailand that the number of impoverished people could double within two years. He said that "by the year 2000, the number of people living below the poverty level in Thailand will increase from 9 million to more than 14 million, and if there are no pro-poor policies, the figure may rise further," the *Bangkok Post* reported. Some 13-14 million would be, minimally, 23% of the total Thai population—so much for the International Monetary Fund-World Bank's Asian success story.

Unfortunately, Newfarmer's poverty figures are grotesquely conservative. Taking the Philippines, Malaysia, Thailand, and Indonesia as his "crisis list" countries, he estimates that those below the poverty line will more than double, from 40 million, to 90 million by the year 2000. Yet, Indonesia alone has stated that one-half to two-thirds of its population will be living in poverty by the end of this year—i.e., 100-140 million in one country. Newfarmer's calculations are based on a worst-case estimate of 10% reduction in output and 10% worsening in income distribution—Thailand, the Philippines, and Indonesia are already past that. He also noted that school enrollment in Indonesia has dropped from 78% to 54% in the past year.

In reviewing the effects of the past year's crisis, Newfarmer said his study conservatively estimates that 23% of Thai, 45% of South Korean, and 65% of Indonesian firms are technically insolvent. Foreign investment in five key countries has collapsed to only \$13.11 billion, down from \$41.75 billion the previous year.

THE BANK OF ENGLAND confessed to its incompetence on Oct. 27, when a member of the Bank's Monetary Policy Committee, DeAnne Julius, admitted that the bank had been slow to recognize the economic collapse in Britain. "We have been a little late in recognizing that the economy has turned. We are now in a situation where we are slowing domestically."

CAMBODIA'S economy is suffering. Foreign currency dropped from \$231 million in March 1997, to \$145 million today, and its currency, the riel, has dropped from 2,500 to the dollar, to 3,800. A rice exporter before 1998, the country must import 200,000 tons this year. Even the casinos that Singapore and Malaysia built are in trouble.

JAPANESE government officials said on Oct. 29 that Japan will send 56 million yen (\$475,000) worth of relief goods to the southern Kurile Islands, which since World War II have been the subject of a border dispute and negotiations with Russia. One Japanese mission to Kunashiri, Shikotan, and Etorofu islands will deliver 140 tons of food, small generators, and fuel.

RUSSIA, after seven years of reforms and "chaos," should study the Chinese example of economics, Genady Seleznyov, chief speaker of the Russian parliament, said after talks with Chinese leaders in Beijing on Oct. 28. With its gradual development over the last two decades, and in the context of a socialist-market economy model, China has been able to achieve double-digit growth rates.

AUSTRALIAN industrial accidents kill nearly 3,000 people each year "as a result of workplace injury or disease," more than are killed in road accidents (1,766), Leigh Hubbard, secretary of the Victorian state union headquarters, said in October. He attributed the fact to "the removal of an injured worker's right to sue employers for negligence" under the Howard government's Mont Pelerin Society-dictated "industrial reform."