

Business Briefs

Federal Reserve

Governor Brags of 'Printing Press Dollars'

The United States government has a "printing press . . . that allows it to produce as many U.S. dollars as it wishes, at essentially no cost," was the lunatic statement of Federal Reserve Governor Benjamin Bernanke on Nov. 21—ignoring the threat of Weimar-style hyperinflation. Bernanke, echoing Alan "Seneca" Greenspan's claim that there were no limit to the liquidity the Fed can pump into the financial system, said that the government—to fight the lagging economy and fend off deflation amid a real negative interest rate—could print as much money as it wants. Alternatively, he said, the Fed could make low-interest-rate loans to banks, or, make "unlimited purchases" of Treasury securities maturing within two years. He made his pitch at a Nov. 21 meeting of the National Economists Club in Washington, D.C.

New York Post columnist John Crudele lambasted Bernanke on Nov. 26, writing that MIT and Harvard, where Bernanke went to school, apparently don't teach the history of 1920s hyperinflation in Germany—which led to the political upheavals that brought Hitler to power.

"Who says it's not happening now?" responded Lyndon LaRouche.

NAFTA

End of Tariffs Will Kill Mexican Farming

The January 2003 lifting of all tariffs except on corn, beans, sugar, and powdered milk, will bankrupt what remains of the agriculture, upon which at least 27 million Mexicans depend for their livelihood. Responsible Mexicans, from across many parties and sectors, are demanding the government block implementation of this phase of NAFTA, opening up a bigger fight than any yet faced by President Vicente Fox.

Some project 70,000 jobs will be lost in

a short period of time, nearly doubling the (conservatively estimated) 82,000 permanent jobs lost in the farm sector since then-President Carlos Salinas opened the *ejidos* (communal farms) to private investment in 1992. Over that same period of time, the percentage of the rural population attempting to survive under conditions of extreme poverty rose from 44.6% in 1992, to 46.08% in 2002.

The PRD party's Congressional caucus brought a bill before the Congress Nov. 25, which would have the Congress call upon Fox to provisionally pull out of the agricultural section of NAFTA. Sen. Enrique Jackson, head of the PRI party caucus, proposed a national front to defend agriculture on Nov. 23. Its priority would be the re-negotiation of the agricultural chapter of NAFTA. An internal PRI document, drafted by its peasant sector, demands a return to protectionism, and a "profound" revision of Mexico's reigning economic model, back to one in which the state directs development, and regulates the market.

The PRI document warns that the lifting of the tariffs would bring "desolation" to the countryside, given that agricultural-support institutions such as Conasupo (the government purchasing agency), Fertimex (the state fertilizer company), and others, have all been dismantled. Producers of maize, beans, rice, cotton, and pork are already bankrupt, and the meat, milk, and egg producers face "disaster" if the tariffs are lifted.

A Mexican peasant receives a little less than \$1.50 for a day's labor. Some 24 million live in those conditions, while the circumstances of another 10 million Indians are much worse. This is why, the PRI study reports, nearly 300,000 Mexicans cross the border to the United States every year, despite the fact that at least 400 will die in the Arizona desert.

Brazil

Embraer Will Produce Planes in China

Brazil's leading aircraft company, Embraer, will sign the final agreement on its joint venture with China Aviation Industry Corpora-

tion II (AVIC-II) by early December, to produce Brazilian airplanes in China, Brazilian Development Minister Sergio Amaral announced in São Paulo on Nov. 25. Amaral said all details had been finalized. The Minister did not know when Embraer's planned factory in China would begin producing planes, but he said Brazil's and China's national economic development banks would be supporting the project.

The plan is for the plant to rapidly reach an annual production of 24 airplanes a year, of Embraer's ERJ-145 model. With Chinese domestic airlines expected to buy between 110 and 140 regional airplanes a year between now and 2005, this represents a giant market for the kind of regional planes in which Embraer specializes. China is likewise eager to have Embraer's technology to improve its own aircraft production capabilities.

The announcement coincided with the opening of the Brazil-China Business Council meeting in São Paulo, and the "Chinese Exposition of Engineering, Technology and Complete Equipment" which the Council is sponsoring.

Germany

Government Announces Mittelstand Offensive

As the business mood in Germany collapsed in late November, the government on Nov. 30 announced a "*Mittelstand* Offensive." At the annual gathering of skilled craftsmen's associations in Leipzig, Economics Minister Wolfgang Clement said the government is recognizing the rapidly deteriorating mood in the population and among business leaders. Trying to turn this around, Clement announced the "offensive," including new credit mechanisms, scaling down of the bureaucracy overhead at smaller and medium-sized companies, which comprise the *Mittelstand*, and certain extra regulations for the *Mittelstand* in the German East. A crucial part of the initiative is the establishment of the "Mittelstandsbank" by merging and somewhat upgrading the Mittelstand activities at the Kreditanstalt für Wiederaufbau

(KfW) and the Deutsche Ausgleichsbank, both state-run. This project has been in preparation for some time, and will soon be activated.

At the same Leipzig event, the President of the Confederation of Small Businessmen and Skilled Crafts (ZDH), Dieter Philipp, emphasized that economic conditions for skilled craftsmen and engineers in Germany have never been so bad in the post-war period. This year, 300,000 jobs in the sector will go, perhaps another 300,000 next year. The total engineering workforce in Germany has plunged by 19.1% within the last six years. The market research agency GfK announced that its consumer climate index in November crashed to -55.4 points, which is the lowest level since the index was established 22 years ago. The President of the German Retail Association (HDE) Hermann Franzen described the year 2002 as "the bleakest day in the history of the retail sector."

United States

'Texas Recession' Is Official

Despite the sighs of relief that the collapse of Enron did not bring down Houston, Texas is officially in "recession," reported the *New York Times* on Dec. 1. The leading problem is jobs: Texas lost 91,000 jobs in 2001 (the year Enron closed down) and another 22,000 in 2002. There has been about a 9% drop in personal income from mid-2000 to the second quarter of 2002.

The hardest hit is Dallas, where the high-tech jobless are jamming homeless centers. Austin/Dallas was the telecom/high-tech corridor, but has suffered layoffs through the last year, and more are expected—as it is also the hometown of troubled American Airlines. Two years ago, Dallas had the lowest unemployment of the 15 largest American cities; now it is "hardest hit," said one economist, with a net loss of 15,000 jobs in the past year, despite an increase of government contracts for the "war on terrorism" to defense industries like Raytheon, Boeing, and Lockheed Martin.

Statewide there is the budget shortfall of up to \$12 billion, and Medicaid will likely be hit; the Republicans rule out tax increases, and there's a continuing drop in revenues.

Venezuela

Political General Strike Is On Again

The anti-President Hugo Chávez opposition forces centered in the CTV labor federation and Fedecamaras, the main Venezuelan business association, completed the first day of another general strike against the government on Dec. 2. While the government claimed there was only about 15% adherence, the opposition insists that it had the support of 80% of the labor force, and that 90% of industries and commerce shut down. The opposition was refusing to say how long the strike is called for, or whether it will evolve into a mass movement of civil disobedience. Provocations from government forces, including politically sensitive arrests, have triggered calls for protests.

Oil accounts for half of Venezuelan government revenue. Again, the opposition says 82% of the oil workers struck, while the international wire services are insisting, as is the Chávez government, that the oil sector "remains largely operational," with management supposedly stepping in for striking administrative staff to keep the rigs and refineries open and running.

According to on-the-ground sources in Caracas, the government provided money to supporters to go on mass buying sprees of government-subsidized food at a military-run market in downtown, giving the appearance of "normal" activity. Chavistas reportedly urged people to drive around in their cars all day, again to give a semblance of normality, but a gasoline shortage was expected to cut substantially into such pro-government fervor.

The biggest concern is that, in the face of a successful strike, the Chávez government will be left with no other weapon to fight back but violence, and many are girding to expect just that.

BRAZIL'S Varig Airlines may have to stop flying soon, according to *Valor* on Nov. 29. The government's BNDES development bank refused to loan Varig \$900 million needed to continue operating, leading unnamed international creditors to activate a clause permitting them to seize Varig's credit-card ticket sales. Varig is part of the Star Alliance, a passenger- and revenue-sharing network that includes United Airlines.

WTO TALKS in Geneva on suspending the patents on drugs desperately needed in Third World countries, and allowing developing countries to make or import cheap versions of certain drugs otherwise protected by patent, have broken down, BBC reported Nov. 29. The idea was agreed to in principle at WTO talks a year ago. Drugs for HIV/AIDS, malaria, tuberculosis and other diseases are included. Eduardo Pérez Motta, chairman of the talks, said all parties were still committed to reaching an agreement by the end of December.

U.S. GOVERNMENT economic statistics look better because the Sept. 11 attacks skewed the "seasonal adjustment" being used this year, according to *New York Post* columnist John Crudele, who says they are contradicted by privately produced economic data. November's purchasing managers index, reported by the Institute for Supply Management—which doesn't use all of Washington's seasonal adjustment—was at 49.2 in November, showing manufacturing activity still falling.

BLACK WIDOW spiders were found in bunches of California grapes, purchased by three British women at three different supermarkets. The black widow is used by organic growers as a natural predator, instead of pesticides. Its venom is 15 times more potent than that of rattlesnakes, "and 150 times as dangerous as the pesticide usually used on grapes," the *London Times* reported. That pesticide is actually not dangerous at all, in the dilutions used.