

Business Briefs

U.S. Budget

Orszag: We're Cutting Medicare, Starting Now

Nov. 18—Even though the Obama Administration's Nazi-modelled "health-care reform" bill has not yet passed, as it was expected to do by now, the White House is attempting to move ahead with fascist austerity by fiat and regulation, targeting Medicare in particular.

On Nov. 15, Associated Press was leaked a "Federal government report" claiming that 12.4% (\$47 billion) of Medicare's annual payments are fraudulent, a huge increase from previous years' estimates of 4% fraud. "Obama is expected to announce new initiatives this coming week to help crack down on Medicare fraud, including a government-wide Web site aimed at providing a fuller account of health care spending and improper payments made by various agencies," reported AP. The article indicated that the sudden apparent tripling of fraud had resulted from the government redefining fraud, to include any Medicare payments for reported medical services for which documentation is incomplete, or the doctor's signature is not legible [!]. The Administration has made 12.4% the "unofficial" fraud rate for FY2009, compared to 4% for FY2005-08; and for FY2010, it plans to make this the "baseline" for that year's "official" rate—and then cut it.

Not surprisingly, \$47 billion/year over ten years is a major part of the \$800-900 billion in cuts in Medicare that Obama and his economic team have put at the center of their drive for health-care "reform."

AP's source for this "report" was, not surprisingly, Office of Management and Budget director Peter Orszag, one of the leading kook "behavioral economists" advising President Obama. Orszag's blog on Nov. 18 led with the claim that the White House had "found" that fraud-induced government spending amounts to \$98 billion per year, half of it in Medicare. "The President, over the next week, will sign an executive order to rein in these improper payments."

Among other immediate steps, the Administration, Orszag said, will "require each agency to designate a current, Senate-confirmed appointee to be accountable to the President for meeting improper payment reduction targets." And Obama will "require that all targets for improper payments show reduction and/or improvement," immediately.

Financial Crisis

Tremonti in Beijing: Go For a New 'Bretton Woods'

Nov. 20—Italian Economy Minister Giulio Tremonti said yesterday in Beijing that the global financial crisis is not over, and that a real solution can come only from an international treaty among governments, which he called a new Bretton Woods. He was speaking at the central school of the Chinese Communist Party.

"After the disaster, I was of the view that only those banks should be bailed out that finance families and companies," he said. "Instead, all of them have been bailed out. In this way, we gained time, but did not solve the problem. And therefore, the threat of another crisis is around the corner.

"Stock markets are again at pre-crisis levels, and derivatives are growing again at a frightening rate.... The world can be precipitated again into the crisis because the chance for change was lost." Throughout the world, "governments have intervened using two hands: With one, they injected an enormous amount of liquidity in the system. With the other, they turned private debt into public debt." Such interventions have fixed the balance sheets of large investment banks, but not those of the state, and "an enormous part of this money has stayed in the banks themselves, which today are using it to make profits, by borrowing at 1% and reinvesting into financial instruments at 5.5%.

"At the end of the '90s, the power of uttering currency, which had been a power of sovereign states, was de facto put into the hands of banks and the market," he said. "The crisis has put governments back on

center stage, but nevertheless there is still an enormous mass of finance inside banks, out of control of the state. Now we must do something completely new."

Agriculture

Indian PM Singh Calls For Green Revolution

Nov. 20—Just prior to his state visit to the United States Nov. 23-24, Indian Prime Minister Manmohan Singh called for a second Green Revolution to reform Indian agriculture. He also defended the role of the U.S. dollar as the international reserve currency.

In an interview in New Delhi, he told *Newsweek* that, in addition to discussing energy cooperation with President Obama, "there is concern for food security. We would like to have a second Green Revolution in our country. In the first Green Revolution, technologies that were a by-product of the U.S. public sector played a major role in transforming Indian agriculture. We need another Green Revolution to carry forward that process still further. Therefore, cooperation in the field of agriculture, cooperation in the field of science and technology, cooperation in the field of health, ensuring cooperation between our two countries in dealing with pandemics."

Pharmaceuticals

Big Pharma Jacks Up Prices in United States

Nov. 16—After making a lucrative deal with the Obama Administration, based on a pledge to trim \$8 billion a year of self-projected drug-cost increases over the next decade, the big pharmaceutical companies are jacking up their prices at a rate not seen since the early 1990s—about 9% year. The cartels spent barely 14% of their revenues on R&D in 2007, and industry publications projected a "slowdown" even then.

Briefly

GERMANY'S PRODUCTIVE industry has lost 1.2 million jobs since the end of 2008—861,000 full-time jobs, and 330,000 part-time or temporary jobs, according to the Federal Statistics Bureau. That leaves German industry with 5 million jobs in total; but of those workers, 1.1-1.2 million are working short hours. This means that 20-25% of all industrial workers are not producing anything at present.

U.S. REP. JOHN CONYERS of Michigan announced in an op-ed on Nov. 17 that he “will introduce a modernized and updated version of the [1934] Glass-Steagall Act to the Congress.” Conyers wrote “that the Glass-Steagall firewall must be restored” between protected commercial, depository banking and “investment bank” securities speculation.

MEXICANS have begun to send peso wire transfers to their unemployed family members in the United States, who had originally fled Mexico in search of jobs, the *New York Times* reported on Nov. 16. Over the last three decades of globalization, some 13 million Mexicans came to the United States to find sustenance for themselves and their families. Their families back home were kept alive by the remittances they sent, which reached a peak of \$25 billion in 2007.

SOUTH AFRICA'S Energy Minister, Dipuo Peters, announced on Nov. 20 that the government will go ahead with its plan for a new conventional nuclear reactor, to be operating by 2020. Last year, the state-run utility, Eskom, cancelled the project, due to the financial crisis. South Africa has been plagued by chronic power shortages.

THE EU-INDIAN summit on Nov. 17 included the signing of an agreement in the fusion energy research. The EU10 billion International Thermonuclear Experimental Research (ITER) project, in Cadarache, France, aims to harness nuclear fusion and to be operational by 2016.

As the *New York Times* gingerly put it today, “The drug trend is distinctly at odds with the direction of the Consumer Price Index, which has fallen by 1.3% in the last year.”

“Price adjustments for our products have no connection to health care reform,” said Ron Rogers, a spokesman for Merck, which raised its prices about 8.9% in the last year, according to a stock analyst report.

Stephen W. Schondelmeyer, a professor of pharmaceutical economics at the University of Minnesota, found prices for the name-brand drugs most widely used by the Medicare population rose by 9.3% in the last year, the fastest rate since 1992.

Energy

Sens. Webb, Alexander: Build 100 Nuclear Plants

Nov. 17—U.S. Sens. Jim Webb (D-Va.) and Lamar Alexander (R-Tenn.) introduced a bill that calls for for 100 nuclear power plants to be built in the United States over the next 20 years, essentially doubling the amount of nuclear generated power in the country. Senator Webb, in his Senate floor speech on Nov. 16, pointed to the contradiction between energy needs and the fact that no nuclear plants have been built in 30 years; offshore oil expansion was stopped over an incident 40 years ago; and coal is denounced as “too dirty.” He said we must act on what we “know and what we need,” rather than on people’s fears. He said that he could not support the climate-change bills in their present form, and that the nuclear option could and should begin immediately.

Both Webb and Alexander spoke to the 2009 Winter Meeting of the American Nuclear Society Nov. 16 on the proposal, titled “The Clean Energy Act of 2009.” They called for \$20 billion in loan guarantees, nuclear education and workforce training, research, extension of the life of the existing plants, along with a sop to other “alternatives” such as biofuel and solar.

Alexander said: “The Chinese are starting a new nuclear power plant every two to three months. The Japanese obtain a third of their power from nuclear plants and build new reactors from start to finish in less than four years. France gets 80% of its electricity from nuclear power and, as a result, has among the lowest electric rates and carbon emissions in Western Europe. Russia plans to double its nuclear power capacity. The United Arab Emirates is planning three new reactors by 2020. And just last week, the United Kingdom announced it will build ten.” He detailed the wastefulness of solar and wind-farms, adding: “Think of it this way: if we were going to war we wouldn’t mothball our nuclear navy and start subsidizing sail-boats.”

Finance

Germany’s Schäuble Warns Of Carry Trade Bubble

Nov. 21—German Finance Minister Wolfgang Schäuble warned of a new speculative bubble crisis as a result of the U.S. dollar “carry trade.” The London *Financial Times* writes today that his comment “lends weight” to those made the previous week by Liu Mingkang, China’s banking regulator, who warned that the U.S. Federal Reserve’s low-interest-rate policy was fueling a dangerous carry trade (in which an investor sells a currency that has a low interest rate and uses the funds to purchase a different currency yielding a higher interest rate).

Speaking in Frankfurt at a banking conference, Schäuble said that it would be naive to assume that the next bubble would take the same form as the last. “More likely today is a scenario in which excess liquidity globally creates a new asset bubble. That low interest rate currencies, such as the U.S. dollar, are increasingly being used as a basis for currency carry trades should give pause for thought. If there was a sudden reversal in this business, markets would be threatened with enormous turbulence, including in foreign exchange markets.”