

Business Briefs

Hedge Funds

October Redemptions Hit \$63 Billion; More Coming

Net withdrawals from hedge funds in October are estimated to have hit \$62.7 billion (according to data from Eurekahedge), which is higher than any time since records started in 1990, for tracking these speculative money pools. Still bigger waves of redemptions are in line for the end of the year, as many funds allow only quarterly withdrawals, and have long required notice periods which have been activated. Many funds are in a frenzy of stock sell-off, preparing for redemption. Others have shut down and/or frozen their assets, or otherwise are setting new limits on withdrawals.

Italy

Tremonti: Get Rid of 'Derivatives Monster'

Speaking at Catholic University in Milan Nov. 20, Italian Economics Minister Giulio Tremonti developed the theme of his speech, "social market economy," by calling for a new economic system that allows the long-term survival of society, and said the current crisis is due to globalization. He repeated his call for dealing with the derivatives bubble in the only way possible: cancel it.

"If I can use an image, it is like living in a video game, with the difference that in a video game you can turn it off: Game is over. This is a video game that is not over. And as in a video game, you face a monster, you beat him and start to relax, but another one comes, bigger than the first; the first monster was the subprime crisis, and somehow it was managed; the second monster was the collapse of credit, and it was somehow managed; the third monster is the bankruptcy of the main financial institutions, and it was somehow managed; the fourth one is the collapse of the stock

markets, but around the corner there are more monsters: credit cards, the expected corporate bankruptcies due to troubled classification of corporate bonds, and then the monster of monsters, the derivative one, where the folly of incalculable risk appears, of non-intentional but collateral effects, definable not *ex ante* and not manageable without procedures that could bring about, in the economic realm, the ancient wisdom of the Shabbat year [debts were forgiven every seven years, in the Hebrew 'Shmita' year]."

Russia

Crisis in Real Economy As Wage Arrears Grow

While the 75% drop in the Russian stock market from its Spring 2008 highs might have gone unnoticed by the Russian population at large, the financial crisis is now hitting more broadly and in ways nobody can miss. High anxiety is spreading, about keeping one's money in rubles, as the Russian currency has lost 17% against the dollar since August. The government has relaxed the band within which ruble fluctuation is allowed, in what Finance Minister Alexei Kudrin on Nov. 19 told the State Duma was a "correction," but everybody else called it a 1% devaluation of the currency.

The drop-off in industrial activity was already reflected in declining rail freight figures, released earlier. In mid-November, the auto manufacturer GAZ, based in Nizhny Novgorod, announced it was going onto a three-day week, due to declining demand. Steel giant Severstal announced on Nov. 18 that its output has been cut by 50% since last Summer, and that it will postpone most of its \$8 billion investment plans for the next three years.

On Nov. 13, the Russian Ministry of Labor said that over 3,000 Russian companies have announced layoffs, totalling 99,000 workers. That level had doubled in a two-week period. Interfax reported on Nov. 19 from the Federal State Statistics

Service, that wage arrears zoomed up by 33.4% during October, to a total of 4.024 trillion rubles (\$149 billion).

Ecuador

Report Documents Usury Of Foreign Debt System

Ecuadorian President Rafael Correa, after being presented Nov. 20 with the final report of the government's Commission to Audit the Public Debt, announced that his government will seek to halt payments on the foreign debt, because that debt is "illegitimate, corrupt, and illegal." Those who contracted the debt "through trickery, blackmail, and treason" should rather bear responsibility for those debts, he said.

Consideration of the effects upon the general welfare of paying this debt, must be the criterion for judging the sustainability of the debt, Correa insisted. He defined the report as Ecuador's contribution to the necessary reconstruction of international financial structures. There will be no full resolution of the problem of the foreign debt until the international financial architecture is reformed, and this audit of Ecuador's debt lays out the parameters of what Ecuador should say in that regard, he said.

The 172-page final report was issued after a year of painstakingly sifting through what documentation exists (and doesn't exist!) on 30 years of ever-expanding foreign debt. The mechanisms employed typify the system of debt looting imposed on all developing nations under the Anglo-Dutch floating-exchange-rate system begun in 1971, and thereby lays bare the disastrous effects of a monetary system per se, as opposed to an anti-usury sovereign credit system. J.P. Morgan Chase, one of the principal agencies named as responsible for illegalities, will not be pleased.

The extent of the looting involved is demonstrated by the debt totals. Ecuador's foreign commercial debt alone grew from \$115.7 million in 1976, to over \$4.1 bil-

lion in 2006. Over that same period, Ecuador's net transfers to international private banks totalled \$7.13 billion. This looting mechanism is what *EIR* has dubbed "banker's arithmetic": \$115.7 million minus \$7.13 billion equals \$4.16 billion! The more you pay, the more you owe.

China

Soros Says: Go Green, Fund IMF, Follow Keynes

George Soros, who was thrown out of China for financing an attempted "regime change" in 1989, was given voice in an interview in the Chinese economics newspaper *Caijing* on Nov. 1, where he peddled the doctrines of Lord John Maynard Keynes and green fascism. Soros admitted that he had lost a bundle on his speculation in Asia and Southwest Asia: "I thought that China and India and the Gulf States would be immune to the crisis, but they were not. That has been a source of actual loss for me—a lot of money."

But his bets will be made good, he said, if China does three things: undergoes political and economic "reform"; bails out the International Monetary Fund to save the banking system; and goes green. China, he said, must implement a stimulus which is "directed at stimulating investment in preventing global warming, because that is a problem that is facing the world. I hope that both the U.S. and China will introduce energy-saving and alternative energy generation as a way of stimulating the economy, because that is what you need to come out of this global recession."

Soros also exposed his own fascist proclivities: "We are back to Keynes," he said. "He had the right idea for the 1930s, and these ideas have come back in a cyclical fashion, and they are right for the 21st Century." Keynes admitted in the 1930s that his policies were better implemented in a fascist dictatorship like that of Germany under Hitler, and later fought to re-

ject FDR's anti-colonial proposals for the post-war world, in favor of the revived British Empire.

India

Globalization Backfires, Job Cuts Accelerating

Some 1 million jobs have already been cut this year in India's industrial and corporate sector, and many more job cuts are coming very soon, *India Today*, one of the most widely read magazines in the country, reported in its cover story Nov. 15. While India's economy is officially only about 20% dependent upon goods exports, it has become very dependent upon the IT and service sectors for "growth," especially of internal private consumption, and these sectors are on the chopping block with the world financial meltdown.

India's IT and software sectors are dependent upon the United States and European Union for 66% of their business—and 60% of that is concentrated in the financial sector, the magazine reported.

Some 9 million people enter the Indian workforce every year, so the reported slashing of new job creation means more unemployment, on top of the current level of about 10%. The *India Today* report is focussed, as it acknowledges, on the "organized" sector of the labor force, and that is only 10% of the total. The so-called "organized" sector is typified by factories, and the "unorganized" sector by home labor. "And for every organized sector job lost, three to four jobs will be lost in the unorganized sector as vendors/suppliers who are largely from the small- and medium-scale sectors are impacted by loss of orders from big companies," the magazine reported.

So far, the textile industry has been hardest hit, where 700,000 jobs have been lost so far, and planned new job creation is already down by 51%. Indian exports—in which textiles play a big role—were down 15% in October.

Briefly

'NO BRETTON WOODS!' In the Nov. 18 *Daily Telegraph* of London, columnist Ambrose Evans-Prichard screamed, "No New Bretton Woods, Ever!" Reflecting the demands of the City of London financial oligarchy, his piece is entitled "Bretton Woods Is a Dangerous Trap." He began, "Please, please, no more Bretton Woods monetary systems for the world ever again. They are poisonous."

'BACK TO KEYNES!' *The Guardian* of London tried to put lipstick on the late imperial Lord Keynes Nov. 21, with a piece by George Monbiot, titled "John Maynard Keynes Not To Blame for Current Financial Mess."

COMMERCIAL BUBBLE: Will the commercial real estate bubble be the next to blow? Sources on Wall Street report that commercial real estate and the associated bond market are about to blow out, and that Citigroup and others have been unable to find buyers for their assets.

THE SWISS NATIONAL Bank has cut its interest rate in half, to 1%. Switzerland's situation is similar to that of Iceland: bankrupt. The total liabilities of the two top banks in Switzerland, UBS and *Crédit Suisse*, amount to eight times the country's GDP.

HOME FORECLOSURES may reach as many as 5 million in the U.S. during 2009-10, Sheila Bair, the head of the Federal Deposit Insurance Corp., told a House of Representatives committee Nov. 18. So far this year, she said, 1.2 million American homeowners have had their houses foreclosed. The forecast of 5 million more would be 10% of all mortgaged homes in the country. That is comparable to the home and farm foreclosure rates of the early 1930s plunge into the Depression.