

Business Briefs

U.S. States

Connecticut Deficit Up to \$84.8 Million

State Comptroller Nancy Wyman announced in a Jan. 2 statement, that the estimated 2004 state budget deficit has grown by about \$33 million just in the past month—with about 70% of the jump attributed to declining revenues from corporate taxes. December was the fifth consecutive month that corporate tax revenues fell short of projections. Moreover, January's corporate tax forecast has been lowered by \$50 million. "If this trend continues," she warned, "the total shortfall on the corporation tax could exceed \$75 million by the end of the fiscal year," on June 30.

Despite this, Wyman babbled about a "rebounding" economy, as official statistics show Connecticut has gained merely 700 jobs per month since July 1.

California

Schwarzenegger Declares War on Poor, Elderly

California Gov. Arnold Schwarzenegger, in his State of the State address on Jan. 6 and his budget presentation on Jan. 9, showed his commitment to destroy both the economy of the state, and its tradition of representative government.

Ignoring the combined \$28 billion shortfall for this fiscal year and the next, he said the state does not have a budget crisis, but a "spending crisis." His solution: stop the "unacceptable" level of spending by shutting down programs which he claims the state can no longer afford, especially those aimed at protecting those least able to pay. Schwarzenegger has already initiated budget cuts in education, despite earlier promises that cuts in education spending would occur "over my dead body." Further, tuition and fees in the state colleges and universities will nearly double, with even steeper hikes for graduate school tuition. The Governor has also double-crossed municipal and county governments, seizing funds which had been pledged for local police and fire protection, and parks and libraries.

Manufacturing

Machine-Tool Purchases In U.S. Continue to Drop

American machine-tool purchases in January through November 2003 fell by 8.5% from the already depressed level of the same period in 2002. U.S. industry consumed \$210.25 million worth of machine tools in November, up 34.8% from October's paltry level, according to a joint report by the American Machine Tool Distributors' Association and the Association of Manufacturing Technology. Consumption in January-November 2002 was fully 63% below the level of 1997.

Machine tools, representing the discovery and application of new physical principles, are the means by which mankind alters nature to improve his physical existence. The crisis underlines the need for Lyndon LaRouche's infrastructure-pivoted recovery policy.

In Michigan, demolition crews in December tore down the building that housed Western Machine Tool Works—a manufacturer key to the development of the U.S. "arsenal of democracy" in World War II, and which had shut down in 1989 after 87 years in business.

Currencies

European Officials Fear Dollar Plunge

European Central Bank (ECB) President Jean-Claude Trichet gave a press conference on Jan. 12, warning of the dollar crisis, after a meeting in Basel, Switzerland, of the central bankers of the G-10 (France, Germany, Italy, Britain, U.S., Canada, Japan, the European Central Bank, Sweden, and Switzerland). He presented very different views than he had the previous week. No longer playing down the effects of the 22% rise of the euro versus the dollar in 2003 (and a slightly more than 50% rise since October 2000), Trichet now emphasized: "We're certainly not indifferent." He said "brutal moves" in the foreign exchange rate of the euro are unwelcome. The dollar fall, as well as the implications of the Parmalat collapse, had been at the top of

the agenda of the closed-door central bankers meeting, which takes place in Basel every month. During the Jan. 12 meeting, the dollar fell to a new historic low against the euro (\$1.289).

French Prime Minister Jean-Pierre Raffarin on the same day expressed concern about "instability" in the euro exchange rate. At a public appearance in Paris he noted: "Unstable exchange rates are in the interests of neither the U.S. nor Europe. Together and quickly, we need to find the means to have an exchange rate that reflects economic realities."

Deutsche Bank chief economist Norbert Walter, in an interview with the German daily *Die Welt* on Jan. 11, called for an immediate rate cut by the ECB, in order to push down the euro versus the dollar. Otherwise, the dollar would soon plunge to \$1.40 to the euro, Walter said.

Debt and Deficits

Russian Media Warn Of Dollar Collapse

"The ruble has overcome another psychological barrier," Russian state-owned RTR television announced on Jan. 9, reporting on the fall of the dollar/ruble rate to below 29, the previous day. The TV report cited the "huge budget deficit and immense foreign debt." The business paper *Kommersant*, meanwhile, carried a front-page analysis by its economics columnist Sergei Minayev, who predicted a new wave of panic on currency markets resulting from the ugly picture of the U.S. economy, presented in the just-issued report by the International Monetary Fund.

Izvestia's headlines on Jan. 9 and 10, were "The Dollar Will Collapse," and "The Dollar Has Collapsed." The first of the two articles summarized the IMF's warnings about a precipitous collapse of the dollar. The paper also pointed out that the main investors in U.S. government securities are Asian central banks. Russia used to start the New Year by purchasing dollars, but this practice is disappearing, *Izvestia* said. "The [Russian] Central Bank is unlikely to hurry to print new rubles in order to exchange them for U.S. dollars, thus financing the U.S. Federal Treasury."