

Business Briefs

Deregulation

Cheney's Policy Behind W.Va. Coal Mine Deaths

Lack of enforcement of safety regulations, reduction of the number of inspectors, and neglect, dating back to Vice President Dick Cheney's infamous 2001 secret energy policy task force, were behind the fatal coal mine explosion in West Virginia on Jan. 2, which killed 12 miners.

Chapter 5 of the 2001 Report of the National Energy Policy Development Group, chaired by Cheney, cited "regulation" as standing in the way of increasing coal production.

The Sago mine in Tallmansville was purchased by speculator Wilber Ross's ICG last March. Ross is widely known for his practice of acquiring coal plants, then imposing layoffs, speed-up, and work-rule changes.

The Sago mine was cited for 205 violations by the Mine Safety and Health Administration, up from 68 the year before.

Personal Credit

Britons' Debt Now Two-Thirds All of EU

The *Independent* reported that British personal debt has reached £1.33 trillion (\$2.3 trillion). Christmas spending was expected to "push thousands of individuals into crisis and cause record bankruptcies in coming months," the paper noted.

Some 20% of this huge debt is unsecured loans and credit. The U.K. accounts for 66% of European Union credit card debt.

Foreign Exchange

China Bank Advisor Fears Dollar Collapse

An advisor to the People's Bank of China has warned of the danger of a U.S. dollar collapse, and its effect on China, in a statement

in the *China Securities Journal*. As reported in the *Shenzhen Daily* on Jan. 2, Prof. Yu Yongding warned that the United States might stop raising interest rates in 2006 and "guide" the dollar downward. This would put pressure on the yuan. But even "more seriously, China's economy would take a big hit if the U.S. dollar weakened sharply due to such factors as a bursting of the U.S. property bubble," he said. "The loss for China's foreign exchange reserves would be extremely serious." China has at least \$769 billion in foreign exchange reserves.

Yu also said China's economy could grow about 9% in 2006, if the government is able to increase internal demand to offset slowing export and investment growth. "Because China's fiscal situation is relatively sound, the government has relatively great leeway to use expansionary fiscal policy," Yu said.

Mergers & Acquisitions

Looters Suck Bankrupt Companies Dry

Under a cartoon of a shark drinking through a straw from a goldfish bowl, the Jan. 5 *Wall Street Journal* described how private-equity firms suck companies dry. The technique is to buy up a company, and have it take on a load of debt. Then the looters pay themselves large fees and dividends out of the loan, before any of it is used to benefit the newly acquired company. The company, now hobbled with debt, is then often sold again.

The process could be more accurately portrayed by vampires sucking the lifeblood from their victims. Some examples:

- Apax Partners Inc. bought up Intelsat, had the company take out a loan. The partners of Apax immediately paid themselves \$350 million in dividends;
- Blackstone Group bought Celanese Corp. for \$650 million up front, for the \$3.4 billion price. Within nine months Blackstone took a return of \$1.3 billion in dividends;
- The group that bought up Warner Music put up \$1.25 billion in equity. Within a year it took four dividend payouts totalling

\$1.45 billion;

- Kohlberg Kravis Roberts bought PanAmSat for \$4.3 billion, and one month later was paid \$250 million in dividends.

Speculation

S. Korea Leads World In Derivatives Trade

The Bank for International Settlements, according to the Jan. 4 *Financial Times*, reports that Korea stock index futures and options boomed to \$12 trillion in the third quarter of 2005, making South Korea "the world's busiest market for equity derivatives," overtaking the United States.

Any concern about a bubble? Lee Seonkyu of Woori Securities in Seoul intones: "Everyone is winning, so unless someone starts to lose, I think this bullishness will continue."

Fiscal Austerity

States Put Medicaid On the Chopping Block

In its next step to completely eliminate Medicaid, Missouri has cut thousands more from its rolls as of Jan. 2. The first business day of the new year marked the third phase of Missouri's obliteration of its Medicaid program. Gov. Matt Blunt (R) and many in the Republican-dominated legislature justify ending medical coverage for the state's poorest citizens, with the familiar accountants' mentality. They claim that millions in state and Federal funds are being saved.

With a population of 5 million, the state has had about 1 million on Medicaid.

The program will be completely eliminated at the end of July 2008.

The Health Policy Institute of Ohio estimates that that state's \$745 million in Medicaid cuts will cause a \$2.4 billion loss to Ohio's 2006-07 fiscal year economy, due to the loss of almost 24,000 jobs, and hence the loss of \$33 million in state income taxes over a two-year period.