Economics in Brief

Unemployment

Administration: More Faked Jobless Figures

Jan. 10—The U.S. Labor Department on Jan. 8 issued its December report, saying that official unemployment had held steady at 10%. But that's because a net 661,000 workers, too discouraged to continue job-hunting, dropped out of the labor force. Had they been counted, official unemployment would be at 10.4%—and if you also count those who want, but cannot find, a full-time job, unemployment rose to 17.3% in December, according to the Labor Department's own figures. The real rate of unemployment is, of course, far higher still.

President Obama responded to the new figures with his typical doubletalk: "The road to recovery is never straight. The overall trend of job loss is still pointing in the right direction."

Lyndon LaRouche responded: "So the Obama Administration is denying the existence of the unemployed as a way of trying to say there's an improvement in unemployment. That's Obama!"

LaRouche continued: "The job losses are increasing, and the President's office denies it by a *lie*. He's not fit to be President. If he's unfit to be President, he should be thrown out for that reason. That's what the Constitution means."

Nuclear Power

Libya Moves Ahead with Nuclear Power Plans

Jan. 9—The Libyan Nuclear Energy Board said that it has activated agreements concluded with some countries in the field of the peaceful use of nuclear energy, and engaged several enterprises that specialize in the construction of atomic reactors for power generation and water desalination. In a declaration made on Jan. 7 to the press in Tripoli, the secretary of the structure's steering committee, Dr. Ali Mohamed Ghachout, announced that a series of provisions was identified to start the national nuclear energy program. Dr. Ghachout also indicated that a Nuclear Control Board will be created to organize the sector.

Libya has signed several agreements and international treaties in relation to the peaceful use of nuclear energy with France, Argentina, Ukraine, the Russian Federation, and Canada. Dr. Ghachout said the existing cooperation program between the Board and the French Atomic Energy Commission and the French company Areva, has been activated and updated.

Derivatives

The Bubble Is Ready To Burst Again

Jan. 8 (EIRNS)—Despite all the speeches, documents, and summits dedicated by the G20 to "financial rules," the derivatives bubble has increased, in nominal terms, and in terms of "exposure." In other words, the banking system which has been "saved" with taxpayers money is more bankrupt today than it was in 2007.

According to figures published by the Comptroller of Currency, the nominal value of derivatives contracts for U.S. banks in the third quarter of 2009 was $204 trillion. This is 14 times the U.S. GDP. In June 2007, it was "only" $152 trillion; thus, it has increased by $50 trillion. Some 97% of the $204 trillion is concentrated in the five largest U. S. banks: JP Morgan, Goldman Sachs, Bank of America, Citibank, and Wells Fargo.

To those who argue that the notional value of derivatives is a fiction, look at the exposure (what the banks write in the books as "risk"): in 3Q2009, it was $484 billions, whereas in June 2007, it was less than half that much ($199 billions). The four largest U.S. banks have a derivatives exposure amounting to 371% of their capital, a little bit less than in the first quarter of 2009. But earnings have dropped off 50%.

European banks are no better, if one considers that in 3Q2009, 16% of the income of the 20 largest banks in the EU came from trading, compared to 3% in 3Q2008. Put this together with a credit crunch for industry, and you have the picture.

Real Estate

New York's Commercial Market Is Tanking

Jan. 8—Some of the high-price, high-rise buildings in New York City are now facing foreclosures, as their owners, bereft of the rents and adequate occupancy that kept the money flowing in, are now having problems making mortgage payments, says Christine Haughney in a front-page article in the New York Times today. The future does not seem bright. In fact, it is bleaker: Haughney points out that rents are expected to continue to decline; vacancy rates are likely to rise, too. Owners of troubled properties will face a final day of reckoning, and, in some cases, lose their properties.

"We're projecting the biggest value losses in the nation," said Aaron Jodka, a senior real estate economist at Property and Portfolio Research, a Boston-based independent real estate research and advisory firm. He predicts that by 2011, the values of New York metropolitan area office buildings will decline by 58% from their late 2007 peak; they are already down 40%. Robert Bach, chief economist at the real estate brokerage Grubb & Ellis, compares recovery of the commercial market, which includes everything from office towers to rental apartment buildings, to retail space, to turning a big ship around. He did not say what happens when the ship loses its bottom.

More than 180 major buildings totaling $12.5 billion in value are in trouble. "I have been in the business for 12 years. I have never seen it this bad," Peter Von Der Ahe, vice president of investments for the brokerage Marcus & Millichap, said of New York City's commercial real estate market.