

# Business Briefs

## Healthcare

### Premiums, Profits Far Above Costs in 2003

A front-page *Wall Street Journal* article on June 21 charted the rising profits of health insurers in 2003, a year in which the insurers' premiums rose by 10-16% across the board; profits of for-profit health insurers like Aetna and UnitedHealth Group, Inc. grew by 30%; and profits of the so-called "not-for-profit" Blue Cross/Blue Shield insurance plans rose by 115%!

"2003 was a banner year for the nation's health insurers, in which profits soared as the escalating price of premiums far outpaced more slowly growing medical costs," the *Journal* concluded. It described a state-by-state backlash by legislatures and regulators, particularly of the Blue Cross/Blue Shield plans, which it said had "moderated rate increases so far during 2004"; but the premiums are still rising at "several times the rate of inflation." Much of the increased profit has been put into insurers' reserve funds, which grew by about 33% in 2003, or into "investments"; to the point where state legislatures in Pennsylvania, North Carolina, and Rhode Island have passed resolutions demanding the reserves be reduced in order to give premium rate-increase relief.

Insurance firms, in general, have been rebuilding reserve funds since the 9/11 damages and wars, as well as making up for low bond interest rates, by increasing premiums.

## Employment

### New U.S. Jobs Pay Lower Wages

Benjamin Tal of CIBC World Markets, writing in that institution's newsletter on June 21, reports that "the average wage in sectors that gained jobs over the past three years was 30% lower than the average wage in industries that lost jobs." The actual situation may be considerably worse. Between July 2000 and February 2004, the U.S. manufacturing workforce contracted from 12.547 million workers to 9.958 million workers, a loss of 2.59 million jobs. Between the end of February and the end of May of this year, America

has gained back a total of 168,000 manufacturing jobs. Thus, the United States still has endured a shortfall of nearly 2.5 million manufacturing jobs, which are not only vital for the functioning of the economy, but are well-paying.

Since January of 2004, more than three-quarters of the "new jobs" created by the Bush administration are in retail and services.

## Brazil

### Financiers Furious at Senate Wage Vote

The Brazilian Senate voted, by a whopping 44-31, to increase the increase in the minimum wage by almost double what the government proposed, despite personal lobbying by President Lula da Silva which featured promises to release funds for Senators' key projects, in return for their support.

The minimum wage was 240 reais—equal to a bit over \$70 a month. About a third of the country's workers and state pensioners receive the minimum wage, and raising it has been a major plank of Lula's Workers Party (PT) since its founding. The government insisted, however, that it could only be raised to R\$260 (\$83), barely following inflation, because anything more would blow out fiscal austerity rules. On June 17, the Senate rebelled, and voted to raise it to R\$275 a month, with 12 Senators from the government coalition parties defecting—among them three from Lula's Workers Party and two of the three from Vice President José Alencar's Liberal Party (PL). Others absented themselves.

Both the *Financial Times* and *Business Week* had warned in advance that financiers considered this a "make it or break it" vote for the government. Now, they are furious. The *Financial Times* wrote of a "humiliating defeat"; the BBC spoke of "a major political defeat." Wall Street's Bloomberg wire service cited financiers warning that "Lula's political gas is running out." "If Lula can only muster 31 of his 45 nominal allies in the Senate to vote for his minimum wage proposal, how can he hope to secure approval of the much more controversial and all-important labor reform?" moaned one Wall Street

banker, who recommended disinvestment in Brazil.

Finance Minister Antonio Palocci responded that the government will not go higher than the R\$260. The government will attempt to overturn the Senate decision next week. The Chamber of Deputies passed the miserly increase a few weeks ago—but that was on the promise that the Senate would back it, too. With municipal elections looming in October, various Deputies warn the government could be defeated this time in the Chamber, forcing Lula to choose between a veto and a new economic policy.

## I.T.

### Sector Still Busted; Computer Show Cancelled

The sponsors of the Las Vegas based Comdex computer trade show announced on June 23 that this year's event has been cancelled due to lack of interest on the part of major players in the Information Technology industry. The show, which had drawn as many as 200,000 attendees during the boom years of the IT bubble, drew only 40,000 last year. The cancellation suggests that this year's convention exhibition space bookings were even less than in 2003.

## Manufacturing

### Durable Goods Orders Fell Again in May

The U.S. Commerce Department announced on June 24 a second straight monthly drop, by 1.6% in May, of durable goods orders. The "unexpected" decline in May on orders for manufactured goods meant to last at least three years, was led by falling transportation-related orders. Combined with a 2.6% drop in April, they were the first back-to-back monthly declines since November-December 2002, exposing the factory sector's supposed recent "revival" peddled by the Cheney-Bush administration. The drop was not limited to autos and parts, but also saw falls in orders for computers and electronic products, machinery and fabricated metals.