

# Decline in Bank Lending: Business Investment in America is almost at a Standstill

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Global Research, April 20, 2010

[The International Forecaster](#) 17 April 2010

Region: [USA](#)

Theme: [Global Economy](#)

One of the reasons for less bank lending is the almost non-existent market for securitized bonds. Investors have so many bad loans on their books that they refuse to commit to further risky investments. This means banks are forced to hold this toxic paper on their books and that inhibits them from lending at higher levels. If the Fed had not purchased \$1.7 trillion of this toxic junk many banks would currently be in bankruptcy. Thus, there still are trillions in these bad loans on the books of many financial institutions and they cannot be sold and they are clogging up the system, and there is no end in sight for the problem.

At the same time there is no effort to reduce federal debt, because if government does so it will absorb more funds needed for investment and to fund newly occurring debt. This reduces money supply and further crowds out business investment. This is truly being in a box with no way out. The Fed has been accommodating via monetization and will have to continue to do so, but the result of that is inflation and perhaps hyperinflation. As you can see this is a never-ending debt trap, and nothing that has been done is permanently solving the problem. Business understands. They are raising as much money as possible at the lowest rates since the 1930s. They may be flush with cash, but can they employ it. Unemployment at 22-1/8% means less buyers for their products. They cannot expand because the demand isn't there. They cannot invest because they are unsure of recovery and they continue to lay off to cut their biggest cost, labor, and remain profitable. You could call this a vicious circle.

Government tells us they are going to cut spending. If they do so that will increase unemployment as spending falls and that in turn will slow business and business development. That means less business spending and more lay offs.

As these events unfold the likes of the Council on Foreign Relations and others in and out of government, want to cut Social Security payments in the worst possible environment. Government cannot fund their debt, so under the new medical reform they cut benefits. They are now contemplating an attempt to grab individual retirement plans to pay bills for a bankrupt government. While these efforts go forward Americans are fast losing all, or almost all, the equity in their homes. This is where most Americans had their savings for the future. Government is so desperate they want to start guaranteed annuities or retirement accounts to be funded by your wages. The real reason for the accounts is that government needs the cash flow to fund operations, because they haven't been able to get enough investors for sometime to buy their bonds. They may even have a voluntary plan where workers can pledge their retirement, or parts of it, to government guaranteed annuities. This way government can collateralize their debt issuance. Now you can see why it is so important that government manipulate the stock market and show bogus values. A

mandatory savings plan is just another scam to fund a bankrupt government. This is money you will not be able to access until retirement if that ever comes, and, of course, if government defaults, which we believe they will, you will get nothing. If the funds were privately managed instead of by government, this would be a bonanza for Wall Street. Is it any wonder so many Americans are lining up to leave the country? Already Blackrock Financial is managing \$100 billion in government employee retirement funds. Of course, the managers are members of the C.F.R. In fact under the FSP half the assets are "invested" in non-negotiable US Treasury notes. A scheme similar to that of Social Security and Medicare. The funds from all these three entities have already been spent. In a default, employees probably would lose 90% of their retirement - not only the government part, but also losses, which would occur in a collapsing stock market. This is truly a license to steal by elitists.

The transfer of fiscal control is passing from the individual to the state in a true corporatist, fascist fashion. These are the same kind of programs that were forced upon the citizens of Italy and Germany in the 1930s. Now you can better understand why the Elites in NYC, London and Paris brought Hitler and Mussolini to power and helped finance their rise to power. Part of this plan is to transfer taxpayer revenues into elitist hands, giving them more power over the citizenry. Unfortunately, Americans don't have a clue to what is being done to them. They do not even know what fascism is. These elitists are so brazen that they are trying to convenience the public that America's problems are the result of their financial foolishness. In fact, Americans need a forced savings plan to return them to solvency, when in fact the savings are needed by government to fund its burgeoning debt. The world is being forced into austerity. Next comes poverty.

The key to this enforced servitude is the borrowing of money, which enriches the lender, usually private banks, that in the fractional banking system creates money. Historically it is averaged about 9 to 1. Nine dollars are created for every one-dollar on deposit. In fact currently that figure is 40 to 1, as a result of imprudent lending over the past several years. Government also increases money supply by creating deficits and borrowing money to do so. The government borrows and you get to pay the interest and to repay the debt. Currently money is getting more difficult to come by due to the voracious needs of government, which is crowding out other borrowers. The bulk of the money lent by banks has gone into the financial sector leaving very little for individuals and small to medium sized businesses. Government is currently borrowing at very low interest rates. The problem is interest rates are rising. As time goes on the interest on the debt grows more onerous. In this process the privately owned Federal Reserve is buying government debt, usually secretly, so that government can continue to spend more money than it takes in, which is in the form of tax revenues. This is called monetization, because the Fed creates the money it lends out of thin air. The alternative to using the Fed would be to end the Fed and have the Treasury simply create the money. The bankers do not want that because that control of printing of money and credit puts the Fed and banking in control of government. Thus, the Fed is unnecessary. It doesn't really directly profit from its function; it protects the banks, which own the Fed and allows the Fed to pass inside information to its fellow elitists, who profit from this information in a major way. The Fed and its friends have a license to steal. This is why the Fed should cease to function and their duties taken over by the US Treasury, a job it was mandated to do by our Constitution.

If the Fed is not disbanded it will be part of a move to world control banking that will rob all countries of their sovereignty. Once in place these financial mavens will form a World Government and dictate to the world. This is why Ron Paul's legislation HR-1207 is so

important to the future of America. It will expose what the Fed is really up too. That discovery would lead to the end of the Fed. This November we have a unique opportunity to vote out of office almost all incumbents. That clean slate will give us an opportunity to take back our country. If we are not successful the game is over and Americans will pay a terrible price.

The MBA, Mortgage Bankers Association's Index of mortgage applications, which includes purchase and refinance loans, fell 9.6%, reaching its lowest level since January 1st. the 4-week moving average fell 6.2%. Subsidized loans by government at least for now are over.

Business inventories are piling up in anticipation of a recovery. They increased 0.5% in February to their highest level in 7 months.

The National Federation of Independent Business Index of Small Business Optimism lost 1.2 points in March, falling to 86.8. The persistence of index readings below 90 is unprecedented. The index has posted 18 consecutive monthly readings below 90. Nine out of 10 index components fell in March. This people are close to the buying public and they are very negative. These are the people who create 70% of our jobs. They are saying the green shoots must become recovery or their lies get exposed.

Just to give you an idea of the power and arrogance of the Fed, this past week saw a gain of \$421.8 billion of outstanding loans and leases. The Fed is secret so they do not have to tell us what is going on. Who received the loans and leases and what was the collateral received for such loans? Our suspicion is that Greece is being bailed out by the Fed or institutions in Europe holding Greek debt are being bailed out. This is the sort of thing that has to be stopped. We know the Fed posts their financials, but many things the Fed is involved in are not posted. We still await an execution of an appeal judgment by the Federal District Court regarding who received \$112.4 billion in loans directed secretly through AIG and what collateral was received against such loans. The Fed still refuses to respond.

The Fed and the Treasury are well aware that America is bankrupt and the only way it can continue to function is via the Fed's ability to create endless amounts of money and credit. That is why credit spreads are at records. As of late this year an additional \$420 billion in additional interest expense will be added for this year and every other year, plus we are facing another \$1.8 trillion deficit. Worse yet, the official projection is for an additional \$1 trillion deficit annually for the next ten years. Presently, as a result of policies of the Treasury and the Fed, real inflation is 8%, not the official number of 2.5% to 3%. All these parties, which include Wall Street, have no intention of allowing the reduction of spending and government.

As a result of wanton lending by the Fed into the banking system we are facing, by the end of 2010, an inventory of homes for sale of a 3-year supply, when that number officially, currently is 8.6-months, when normal is 4-months. Housing is still in a bubble. Five to seven million families will lose their homes this year. Even now there is a supply of expensive homes that reaches out five years. Those mortgages containing CDOs, ABSs and MBS held by lenders, the Fed and the FDIC are near worthless. Half the banks in America face insolvency. Of 750,000 mortgage holders under trial modification only about 30,000 have been converted to permanent payment changes. There are millions of homeowners who have not made a payment for a year or two ready to come out of the pipeline. The government has been holding prices up three years disregarding the huge distortions they had created in the market. This was done not for the benefit of the homeowners, but to bail

out the lenders. They left people in their homes for two years and they paid nothing to stay there. These are mostly people who should have never had a home in the first place. Not only will millions of homeowners be on the street, but lenders books will be flooded with assets worth far less than they are carrying them at. Those homes are about to fall again in value. Instead of cleaning up the books over the last few years management has been busy serving up bonuses for themselves.

The result of the foregoing will be 2,800 banks going under. As we told you before the FDIC won't be able to handle the depositor's financial demands. The TARP Oversight Committee says it has been stonewalled by the Fed. As a result only the banks and the Fed know what is really going on. How will banks raise money to offset lending losses? Will government allow them to stay in business in a bankrupt state and merge them? Of course they'll continue to function, but FDIC insurance will end. The toxic assets will still be there for what is left of the solvent middle class to pay for.

The Natural Bureau of Economic Research says the recession is not over. We believe that the consumer's lack of income and the absence of credit growth needed for a recovery is absent. Inflation is 8% and wages are falling at a 3% level.

The jobless numbers are again worsening and without major stimulus they will get worse. The raw unadjusted numbers total 514,742 and increase of 99,730 week-on-week. Extended claims jumped 261,817 to 5,555,301. These are the people on the 2-1/2 year jobless payroll.

The Commercial Paper market fell for the 5th week in a row off \$15.4 billion to \$1.074 trillion. Asset backed paper rose by \$200 million after falling by \$7.2 billion the prior week.

The NAHB/Wells Fargo Housing Market Index rose 4 points to 19. What can they be thinking of?

RealtyTrac says foreclosures rose 7% y-o-y in the first quarter. Foreclosures were 367 in March, up 19% m-o-m. The highest rates were in Nevada, Arizona and Florida. By totals, California, Florida and Arizona led the pack.

Goldman Sachs director Rajat Gupta may have given inside information about Goldman to Galleon Group hedge fund founder Raj Rajaratnam says prosecutors.

Consumer confidence figures from ABC News showed the weekly consumer confidence index fell to minus 47 from minus 43. Worse yet, 8% of those polled rated the national economy as excellent or good while 92% rated it good or even poor, 25% said it was a good time to buy while 75% said it isn't.

The University of Michigan Confidence Index fell from 73.6 in March to the first of two April fixings of 69.5. The experts predicted 75. The gauge of current economic conditions fell to 80.7, the lowest since December. March was 82.4. Consumer expectations fell to 62.3, the lowest since March 2000, and well below March's 67.9. One-year inflation expectations rose to 2.9% from 2.7% in March.

The Securities and Exchange Commission on Friday charged Goldman Sachs & Co. and one of its vice presidents for defrauding investors by misstating and omitting key facts about a financial product related to subprime mortgages.

The SEC alleged in a lawsuit that Goldman ([GS](#) 161.60, -22.67, -12.30%) structured and

marketed a collateralized debt obligation that hinged on the performance of subprime residential mortgage-backed securities. However, it failed to disclose the role that a major hedge fund, Paulson & Co., played in the portfolio selection process as well as the fact that the hedge fund had taken a short position against the CDO.

“Goldman wrongly permitted a client that was betting against the mortgage market to heavily influence which mortgage securities to include in an investment portfolio, while telling other investors that the securities were selected by an independent, objective third party,” said Robert Khuzami, director of the division of enforcement, in a statement.

Business Inventories have increased at a 0.5% pace in February, following a flat performance in January, although they dropped 7.7% in year of year terms, according to data released by the US Census Bureau.

The combined value of distributive trade sales and manufacturers’ shipments have posted a 0.3% increment in February, while they fell at a 6.8% pace from February 2009.

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