Failed Economic Policies and Rising Unemployment in the United States of America

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This past week the BLS released the September unemployment statistics and they worsened as usual, as America enjoys its recovery.

U-1–Those unemployed 15 weeks or longer, as a percent of the civilian labor force was 5.4%.

U-2-Job losers and persons who completed temporary jobs, as a percent of the labor force was 6.8%.

U-3-Total unemployed, as a percentage of the civilian labor force, the official unemployment rate, 9.8%.

U-4-Discouraged workers 10.2%.

U-5-Total unemployed plus discharged workers, plus marginally attached workers 11.1%.

U-6-Total unemployed as a percent of the civilian labor force 17%.

If the birth/death ratio is removed, U-6 is in reality 21.3% total US unemployment. The estimate is that 824,000, more jobs may be extracted from the payroll count for the 12-months ended next March. Such a revision would be the biggest since 1991. The BLS is underestimating job losses deliberately and has been for a long time. That would mean September's loss would be some 300,000 not 263,000.

Such a revision would put job losses not at 4.8 million but 5.6 million jobs.

This is how government has operated for some time and will continue to as long as we allow them too.

Last week the Dow and the S&P fell 1.8%; the Russell 2,000 fell 3.1% and the Nasdaq 100 fell 1.9%. Cyclicals fell 2.5%; transports 3%; banks 2.8%, as broker/dealers gained 1.1%. Consumers rose 0.3%; utilities fell 2.69%; high techs fell 1.6%; semis 4.5%; Internets fell 1.6% and biotechs 4.1%. Gold bullion rose $12.00, as the HUI dipped 0.7%. The USDX rose 0.3% to 77.03.

Two-year T-bills fell 11 bps to 0.76%, 10-year notes fell 10 bps to 3.22% and 10-year German bunds fell 13 bps to 3.12%.

Freddie Mac 30-year fixed rate mortgage rates fell 10 bps to an 18-week low of 4.94%; 15's fell 10 bps to 4.36% and one-year ARMs fell 3 bps to 4.49%. Jumbo 30's fell 6 bps to 6.11%.

Federal Reserve credit fell $12.4 billion. It has fallen $126 billion ytd, but it is still up $742 billion, or 53% yoy. Fed foreign holdings of Treasuries and Agency debt rose $583 million to a record $2.855 trillion. Custody holdings for foreign central banks rose at a 17.9% rate ytd, and $389 billion yoy, or 15.8%.

M2 narrow money supply declined $8 billion to $8.310 trillion ytd and 5.2% yoy.

As the lack of government guarantees become known more money leaves money market funds. Assets sank again $53.5 billion to $3.429 trillion. They have fallen $401 billion ytd, or 36% annualized. They have increased only $30 billion, or 0.9% yoy.

We wonder what House and Senate members think when their constituents complain that banks are now charging 25% to 40% credit card interest? They simply don't care, because these very same banks are paying off these elected representatives and senators via campaign contributions. That is an extra $700 billion to $1 trillion a year in earnings when the average family is having trouble putting food on the table. Couple this with virtually no income on savings and you have a dreadful situation. Americans are tax slaves to government and debt slaves to banks, a situation that cannot long persist. In addition banks want to charge more and subtly taxes will soon rise again.

Last week we forecast the fall in the Dow at 9,800 and so it has begun. The market has finally overpowered the manipulation of our government. It wasn't that difficult. A 26 P/E ratio of trailing earnings that should be 14.5 times. The next leg down will test 6,000 to 6,600 on the Dow next year. All those who had a second chance to sell into the bear market will be doomed to greater losses than they experienced this year. It is time to again exit the market and move into gold and silver related assets. The banks and brokerage firms along with insurance companies have been driving this bear market with money from the Fed and the Treasury at 50 times leverage. The correction is underway as all these entities try to exit at the same time. Some are going to end up insolvent. This reminds us of 1922 in Germany and today's Zimbabwe. Assets on bank and brokerage house balance sheets are going to be devastated. Even they do not really understand the debasement that has taken place. Every chart comparing everything with gold is in a state of collapse and that will become more evident shortly as gold soars to new heights. The mad overvaluation of the markets is about to end. The de-leveraging will take ten perhaps 20 years that is unless we have another world war. Fudging the figures just is not going to work. The PPI is climbing and no one seems to notice, particularly the media. Big inflation is on the way. It will be interesting to see just how much of the price increases businesses are going to absorb. Those on the edge are going to go bankrupt as debt doubles and doubles again.

All this is the result of the machinations of Illuminists who have created a corporatist fascist government for us, which will become the new world order, if we allow it to happen.

How can it be possible to have an economic recovery as we lose more and more jobs and that America manufactures very little. Private banks, Wall Street and insurance companies with vast amounts of wealth control our country, make no mistake about it. This is done by the private issuance of money and the deliberate creation of inflation, deflation and depression.

Inflation started to show up again beginning in May and this past month showed 25% growth in the PPI. That won't show up in official government figures for the CPI, but it will in part be there. Will the corporations absorb the added cost or will they pass it on? Of course, they'll pass it on.

Relentlessly the dollar is being abandoned worldwide. Unfortunately, the other G-20 currencies are not much better and that is why gold is so important. Keeping liquidity running into the system hasn't worked and can't work.

Our President's pet group ACORN, a criminal enterprise, has had its funding pulled by the Ford Foundation. Annie E. Casey Foundation, the Charles Stewart Mott Foundation, the Marguerite Casey Foundation and Bank of America. Good riddance to bad rubbish.

The dollar has fallen from $124.00 on the USDX in 2002 to about 76.30 recently and was as low as 75.75 two weeks ago. Incidentally, someone should tell the liars at CNBC gold has risen by 300%. At both G-20 and G-7 summits there was little attention afforded to the plight and future of the dollar.

G-20 was full of the normal gobbligoop by bureaucrats running hither and yon, and accomplishing nothing more than creating a cloud of dust. They said they will maintain the global flow of capital as bank lending fell 14% yoy. Nothing has been done to repair the financial system. It is worse off now than it has been in two years, since the debacle began. In order to repair the system it has to be purged. The banks, brokerage houses, insurance companies and the Fed have to go into bankruptcy. This, of course, means Americans will lose 50% to 95% of their wealth, unless they are in gold and silver related assets. That is the cost of not paying attention, for not making the House, Senate and President do as they should. These so-called leaders have done everything possible to insure that there is no recovery. This while they tell us the global financial crisis is over. In addition the same crowd that created this disaster tells us over and over again that without their untimely and unprecedented support, the system would have collapsed.

You have to laugh at the G-7 and G-20. The latest is that world financial ministers have told the IMF to prepare guidelines to ensure an orderly and cooperative exit from fiscal and monetary stimulus. That can't happen, because if it does the whole system will collapse. This is the IMF, which is selling gold because they will soon be broke, and haven't made a correct decision in 60 years. The IMF is to provide insurance-style finance to well run emerging economies so they won't build up foreign exchange. We have never heard anything stupider in our lives. As this transpired the World Bank's President, Robert Zoellick, informs us the bank will be broke within a year.

Last month the BLS created 34,000 jobs via the net birth/debt adjustment (ratio). What a fraud. That is double the 18,000 for September 2008.

They are telling you what you are supposed to believe. That story is as believable as the WDO story that started the invasion and occupation of Iraq. Our President tells us Iran has a secret nuclear facility. This is information Iran told the UN's International Atomic Energy Agency four days previously and miraculously our President discovered it. This, like the meetings of G-20, G-7 and demonstrations, serve as distractions to our pitiful economic and financial morass. This was to be used as an excuse to greatly increase sanctions, which are a form of warfare. All this is misinformation to cover up a two-year old credit crisis that is worsening by the day. Americans and others realize this. That is why spending is falling and savings are rising. This holiday season sales will be off 1% to 3% with the stimulus package. Otherwise they would have been off 5% or more. Recognition of our financial and economic situation has made banks reduce lending. It is obvious credit expansion has reached its limit and that is why lending and spending has slowed.

This all comes back to 8/15/71, the day the US left the gold standard. The only way the dollar can be saved is by a return to the gold standard. Unfortunately that won't and can't happen because we do not believe the US has any gold left and even if they did they still wouldn't have a gold backed currency. They want the destruction of the dollar in order to implement a world currency from the IMF and in that process bring the world economic and financial system to its knees to force us to accept World Government. This is evident in the Illuminist goal to control all political, social and financial freedom. This is all being done by way of deception. The same deceit has been used in the TARP program. The purpose of which was to purchase troubled assets that cluttered balance sheets. What happened instead was that the funds were used to buy the shares of troubled banks and for banks to buy other failing banks and to speculate in markets. Another deception is that the Fed will wind down its monetization program. That is impossible, otherwise the system would collapse. Never mind the secret monetization going on in swaps and in secret Cayman accounts. In all of this saving of banks, Wall Street and insurance companies the public has been left behind and unemployment has flourished. All such programs are doomed to failure and your only protection is gold and silver related assets.

Goldman Sachs stands to receive a payment of $1bn – while US taxpayers would lose $2.3bn – if embattled commercial lender CIT files for Chapter 11 bankruptcy protection, people familiar with the matter said.

The payment stems from the structure of a $3bn rescue finance package that Goldman extended to CIT on June 6 2008, about five months before the Treasury bought $2.3bn in CIT preferred shares to prop it up at the height of the crisis. The potential loss for taxpayers would be the biggest to crystallize so far from the government's capital injection plan for banks.

The agreement with Goldman states that if CIT defaults or goes bankrupt, it would be required to pay a make-whole amount that totals $1bn, the people familiar with the matter said.

While Goldman is entitled to demand the full amount, it is likely to agree to postpone payment on a part of that sum, these people added. A CIT filing last week said that it was in negotiations with Goldman concerning an amendment to this facility.

Goldman said: This would not be a windfall payment. The make-whole payment is simply the present value of the spread to be earned over the life of the facility.

CIT declined to comment. In an effort to prevent bankruptcy, it is working on a debt exchange offer that would virtually wipe out equity holders. In the event of bankruptcy, Goldman would reap more than $1bn because it also holds credit insurance that would be paid off.

Goldman said: "The credit default swaps Goldman Sachs purchased to prudently manage the risk associated with the CIT financing are not a directional 'bet' on CIT, but were bought to protect against the possibility of a precipitous decline in the value of the collateral."

Michael Geoghegan, chief executive of HSBC, is so convinced there will be a second downturn in the coming months that he plans to delay any rush to expand the bank.

The Tax spy Warning:

We are attempting to collect unpaid taxes from you. Generally, our practice is to deal directly with a taxpayer or a taxpayer's duly authorized representative. However, we sometimes talk with other persons, for example when we need information that the taxpayer has been unable to provide, or to verify information we have received.

This notice is provided to tell you that we may contact other persons. If we do contact other persons we will generally need to tell them limited information, such as your name. The law prohibits us from disclosing any more information than is necessary to obtain or verify the information we are seeking. Our need to contact other persons may continue as long as there is activity on this matter. If we contact other persons, you have the right to request a lost of those contacted.

US vacation timeshare sales may fall the most this year since the industry gained popularity in the 1970s. Sales may drop 30% this year from 2008, said Howard Nusbaum, president and chief executive officer of the American Resort Development Association.

Applications for Social Security benefits rose almost 50% more than expected this year because of the recession, according to the federal retirement program. 'We are seeing a significant increase in both retirement and disability applications as a result of the recession,' said Mark Lassiter, a Social Security spokesman. Agency statistics show that 2.57 million people requested benefits, up from the 2.10 million applications received during the previous 12 months.

State tax revenues in the second quarter plunged 17% from a year earlier as rising unemployment and reduced spending hurt sales- and income-tax collections. The decline was the sharpest since at least the 1960s. The biggest drop among major revenue sources was in state income taxes, which were down 28% from a year ago. Sales-tax revenues fell 9%.

Connecticut, the state with the most tax-supported debt, will borrow $2.25 billion over the next two years to balance its budget amid plunging income tax collections. [Let's not forget they loaned $1 billion to the Hartford Insurance Group, which they'll probably never see again.]

Manhattan apartment prices fell for a second consecutive quarter, helping drive the biggest gain in sales in more than 13 years. The median price slid 8.4% to $850,000 in the third quarter from a year earlier, appraiser Miller Samuel Inc. and broker Prudential Douglas Elliman Real Estate said. The number of sales jumped 46% from the second quarter.

Manhattan office rents fell 5.2% in the third quarter from the previous three months. Asking rents fell to an average of $50.98 a square foot from $53.76 broker Studley Inc. said. Rents for the best offices in Manhattan declined 6.4% to $62.38 a square foot in the period.

The U.S. Supreme Court rejected an appeal by Joseph Nacchio, the former Qwest Communications International Inc. chief executive officer convicted of selling $52 million in company stock based on inside information.

The justices, without comment, let stand a federal appeals court decision that upheld Nacchio's conviction. His lawyers contended that Nacchio didn't withhold any material information from the public about the company's condition and that an expert witness was improperly barred from testifying at his trial.

"I am deeply disappointed by the court's decision because I am convinced that he is innocent and did not receive a fair trial," Nacchio's lead Supreme Court lawyer, Maureen Mahoney, said in an e-mail.

Nacchio began serving what initially was a six-year sentence in April. An appeals court later ordered a trial judge to reconsider the prison term, saying the original sentence was based on a miscalculation of how much Nacchio gained from his illicit conduct.

Nacchio, 60, separately is seeking a new trial, arguing before a federal district judge in Denver that new evidence shows prosecutors mischaracterized the testimony of the company's former chief financial officer.

Prosecutors said Nacchio should have disclosed in 2001 that Qwest's recurring revenue was falling short and that the company was relying too heavily on the shrinking market for one-time sales of its network capacity. He was accused of accelerating his stock sales upon learning in April 2001 that Qwest missed its first-quarter forecasts for recurring revenue. [More then 600 other corporate officers did the same thing and not one was prosecuted because they made a deal with the Justice Department for their firms to accept fines on their behalf. Nacchio was not an Illuminists nor was he connected to their structure, so he goes to jail and no one else does, as an example, that you either cooperate or we destroy you.]

U.S. service industries expanded in September for the first time in a year as the emerging recovery spread from housing and factories to the broader economy.

The Institute for Supply Management's index of non- manufacturing businesses, which make up almost 90 percent of the economy, rose to 50.9, higher than forecast, from 48.4 in August, according to the Tempe, Arizona-based group. Fifty is the dividing line between expansion and contraction.

New York University Professor Nouriel Roubini said stock markets may drop and billionaire George Soros warned the "bankrupt" U.S. banking system will hamper its economy, highlighting doubts about the sustainability of the global recovery.

"Markets have gone up too much, too soon, too fast," Roubini, who accurately predicted the financial crisis, said in an interview in Istanbul on Oct. 3. U.S. stocks may suffer a "major decline" after climbing to the highest levels in almost a year two weeks ago,

U.S. consumers are "over-debted" and the country's banking system has been "basically bankrupt," Soros said in Istanbul today. "The United States has a long way to go."

A measure of U.S. job prospects rose in September for the first time in more than a year, a sign job losses may not keep accelerating, a private survey showed.

The Conference Board's Employment Trends Index rose 0.3 to 88.5, the first increase since January 2008 and the highest level since April, the New York-based private research group said today. The reading was down 16 percent from a year ago.

A government report last week showed payrolls in September fell more than forecast, a sign the economic recovery may be slow to gain speed. Federal Reserve Chairman Ben S. Bernanke last week said joblessness would remain above 9 percent through next year, indicating the central bank wouldn't move quickly to drain cash from the economy.

The index "suggests that the trend of declining job losses will continue," Gad Levanon, a senior economist at the Conference Board, said in a statement. "But the road to recovery is definitely going to be bumpy and may last unusually long, given the depth of the recession we have experienced."

Federal Deposit Insurance Corp. Chairman Sheila Bair said regulators should consider making secured creditors carry more of the cost of bank failures.

"This could involve potentially limiting their claims to no more than, say, 80 percent of their secured credits," Bair said yesterday in a speech to a banking conference in Istanbul. "This would ensure that market participants always have some skin in the game, and it would be very strong medicine indeed."

Bair's comments go beyond any of her previous proposals for changing the way large and so-called systemically important financial institutions are regulated. She has long supported broadening the government's powers in order to limit the impact on the financial system of an event such as last year's bankruptcy of Lehman Brothers Holdings Inc.

The proposal would probably increase banks' cost of funding and make it harder to find long-term financing because creditors would be watching closely for any signs of trouble, said William Black, associate professor of economics and law at the University of Missouri-Kansas City and a former bank regulator.

"It would make it gratuitously more expensive for banks to raise funds, even on a secured basis," Black said.

Bair's proposals, which would require legislation, aren't part of the U.S. regulatory overhaul. The Obama administration has defended making auto industry bondholders accept losses as a condition of a government bailout, while saying the same approach shouldn't apply to banks because of the havoc such changes may wreak on the financial system.

Financial markets should be subject to new taxes that will discourage "dysfunctional" trading and help pay for the damage the global crisis inflicted on poorer countries, Nobel Prize-winning economist Joseph Stiglitz said.

"The financial sector polluted the global economy with toxic assets and now they ought to clean out," Stiglitz told reporters today in Istanbul, where he's attending the International Monetary Fund and World Bank annual meetings. He said a tax is "much more feasible today" than in the past.

The IMF will study ways to tax the financial industry at the request of Group of 20 leaders, Managing Director Dominique Strauss-Kahn said last week. He dismissed the "very simplistic" idea of the so-called Tobin tax, a global charge on currency trades, which he said would be difficult to implement.

Stiglitz said any new levy should cover all asset classes, and will be easier to implement as more of the world’s financial transactions are brought under regulatory control.

Charges on contracts such as derivatives should be based on the gross value of the assets, to “discourage the kind of hidden leverage that helped cause this crisis” and rein in the “destructive innovation” of bankers, he said.

Money raised by the tax could be used to help poor countries who weren’t responsible for the financial crisis and are nevertheless suffering its consequences, Stiglitz said. The $700 billion offered by the U.S. government a year ago to bail out banks was equivalent to a decade’s-worth of all global aid to poor nations, he said.

The dollar fell after Group of Seven finance ministers omitted any mention of the currency’s weakness in their final communique. European stocks and U.S. index futures gained.

The U.S. currency declined against 13 of its 16 most-traded peers as of 12:17 p.m. in New York. The yen slipped versus all 16 after Finance Minister Hirohisa Fujii said the government will act if the foreign-exchange market moves in a “biased direction.” The Dow Jones Stoxx 600 Index of European shares rose for the first time in four days, adding 0.4 percent. Futures on the Standard & Poor’s 500 Index increased 0.6 percent.

Finance ministers and central bankers from the G-7 nations avoided any reference to the American currency’s decline, which sent the Dollar Index down 5 percent this year, after their Oct. 3 talks in Istanbul. Europe’s manufacturing and services industries expanded more than initially estimated in September, London-based Markit Economics said. In the U.S., service industries probably snapped 11 straight declines, a separate monthly report may show.

“A weaker dollar helps with the goal of global rebalancing, which appears to be a larger aim of the G-7,” Sophia Drossos, head of currency strategy at Morgan Stanley in New York and a former foreign-exchange manager at the Federal Reserve, wrote in a report today. This “reinforces our view that as long as a weak dollar is largely reflective of rate and growth differentials, the G-7 is unlikely to stand in the way.”

White House officials and Democratic leaders in Congress on Friday said they were weighing extending key elements of the economic-stimulus program as the nation grapples with a deteriorating job market. Obama administration economists said they would like the enhanced unemployment-insurance program to extend beyond its Dec. 31 expiration date. They also want to maintain a program that offers tax credits to pay 65% of the cost of health insurance policies under the COBRA program, which allows laid-off workers to purchase the health plans they had through their previous employer.

White House officials said they also are examining whether to extend a soon-to-expire tax credit for first-time homebuyers, but that provision faces a stiffer headwind. [This is exactly as we predicted in January.]

The details of the September Employment Report are uglier than the headline NFP number. U6 (comprehensive unemployment) is now 17%. The average workweek declined to 30.0 hours from 30.1;and the household survey showed a stunning 785k drop in employment. John Williams calculates total unemployment, adding people that have not looked for work for over one year to U6, at 21.4%.

The average amount of time it takes fired employees to find a new job exceeds the length of their standard unemployment benefits…the average duration of unemployment is now 26.2 weeks, longer than the 26 weeks of state benefits normally provided to workers who lose their jobs. It's the first time that has occurred since the Bureau of Labor Statistics began keeping records in 1948.

Congress has extended unemployment benefits twice — first in July 2008 and then as part of the stimulus bill signed in February. Currently, the unemployed are eligible for a total of 46 weeks of benefits, and those in states where the unemployment rate is more than 6 percent are eligible for 59 weeks.

America's army of long-term unemployed — those without work for six months or more – has swelled to 5.4 million.

The figures raise the possibility that the government's calculations continue to miss the mark. "We are probably still underestimating job losses," said John Silvia, chief economist at Wells Fargo Securities. Once a year, the Labor Department revises its payroll figures after combing through tax records from the unemployment insurance program that covers practically all businesses. Those records are only available after a lag, explaining why it takes more than a year to make the tabulations. The department uses a formula, known as the birth/death model, to determine the influence on payrolls from the formation and demise of businesses. Because the government doesn't know if a company fails to respond because it has gone out of business or is just late, it estimates the number of companies that may have folded. By the same token, it plugs in an estimate for the formation of new businesses to account for their hiring.

"This birth/death model is still assuming that we are getting new jobs from new-business creations," David Rosenberg, chief economist at Gluskin Sheff & Associates Inc. in Toronto, said in an interview. "These additions are coming somewhere from 'Alice in Wonderland," he said.

Consumer bankruptcies soared 41 percent in September from a year before and climbed from August, as high unemployment and the housing market crash took their toll, the American Bankruptcy Institute said on Friday. http://www.reuters.com/article/ousivMolt/idUSTRE5915HC20091002

You can't make up stuff like this! Reuters: Greenspan says Fed balance sheet an inflation risk "You cannot afford to get behind the curve on reining in this extraordinary amount of liquidity because that will create an enormous inflation down the road," Greenspan said at a forum hosted by The Atlantic magazine, the Aspen Institute and the Newseum.

The number of U.S. lenders that can't collect on at least 20 percent of their loans hit an 18-year high, signaling that more bank failures and losses could slow an economic recovery.

Are perceptions of the bailout still negative, or are folks not as upset as they were a year ago?

Poole: It's clear that the general public is disgusted with the bailout. The general public understands that it's a grossly unfair and unreasonable situation for risks to be socialized and gains to be private. That's just common sense. What everybody seems to be hoping is that banks have learned a lesson, and I'm sure banks are going to be much more conservative.

But the same incentives for leverage are there that were there two years ago and three years ago that created this problem. In due time, some traders will be instructed to take those leveraged risks that come out with big profits, and it's going to be hard for others not to join in. It's going to be very hard for the Federal Reserve and others to stop them.

Using data from the Federal Deposit Insurance Corporation, Mr. Baker's study found that the spread between the average cost at smaller banks and at larger institutions widened significantly after March 2008, when the United States government brokered the Bear Stearns rescue. From the beginning of 2000 through the fourth quarter of 2007, the cost of funds for small institutions averaged 0.29 percentage point more than that of banks with $100 billion or more in assets. But from late 2008 through June 2009, when bailouts for large institutions became expected, this spread widened to an average of 0.78 percentage point.

At that level, Mr. Baker calculated, the total taxpayer subsidy for the 18 large bank holding companies was $34.1 billion a year...Mr. Baker says it is important to continue measuring this difference in costs to see whether the subsidy disappears or whether it is a continuing transfer of income.

So far this year, nearly all of the earnings improvements have been achieved through major cost-cutting efforts. Overall selling and administrative costs among S.& P. 500 companies fell 5.7 percent in the second quarter versus the period a year earlier, according to a recent report by David J. Kostin, the chief United States equity strategist at Goldman Sachs.

This represents far more drastic cuts than were undertaken in the recessions of 1991 and 2001. Still, "you can only cut so much," said Howard Silverblatt, senior index analyst at S& P. "At some point, you need to start seeing the business actually grow. You need to see increased sales" — sometimes called "top line" growth. That's why Mr. Silverblatt says that revenue — not earnings — "will be the most important number for investors to watch." The revenue declines are even more staggering on a dollar basis. From June 2008 to June 2009, revenue of the 500 companies tumbled by a total of $1.15 trillion. "That's more than the entire fiscal stimulus," Mr. Silverblatt said.

For nearly two years, economic issues have held the top spot in terms of importance among voters.

But the latest national telephone survey shows that 83% now view government ethics and corruption as very important, placing it just ahead of the economy on a list of 10 key electoral issues regularly tracked by Rasmussen Reports. Eighty-two percent (82%) of voters see the economy as very important.

This is the first time since October 2007 that voters have rated ethics and corruption as more important than the economy. Voters viewed the two issues evenly in November and December 2007 before placing a higher priority on the economy starting in January 2008.

Last month, 86% of voters said economic issues were very important while 80% saw government ethics that way.

The new findings come at a time when 43% of voters say the president is doing a poor job addressing government ethics and reducing corruption, up five points from early September and the highest level measured since he took office. Forty percent (40%) now give the president good or excellent ratings on his handling of the issue.

The Federal Reserve should be forced to identify companies that received loans from the central bank because it can't demonstrate that borrowers would be harmed by the disclosure, according to lawyers who won a Freedom of Information Act lawsuit.

The details sought by the Bloomberg News unit of Bloomberg LP, the New York-based company majority-owned by Mayor Michael Bloomberg, aren't proprietary, attorneys for the company said today in a court document opposing the Fed's request for a court to halt disclosure of information while an appeal proceeds.

Bloomberg won a ruling from Manhattan's chief federal judge on Aug. 24 affirming the right of U.S. taxpayers to know about the financial firms that borrowed money. Total lending by the Fed, which last year began extending credit directly to companies that aren't banks for the first time since it was created in 1913, was $2.12 trillion on Sept. 30.

Divulging specifics about the loan program might touch off a run by depositors, unsettle shareholders and hurt the central bank's "ability to perform important statutory functions at a time of economic upheaval," Fed lawyers have said in legal filings.

Growing speculation over the potential end to dollar-based trading in the oil market may be part of the reason gold prices have rallied beyond $1,020 an ounce to stand near their highest level in 18 months.

And the strength was kept even as several top officials, including Saudi central bank chief Muhammad al-Jasser, denied the report.

Gulf Arab states, along with China, Russia, Japan and France, are planning to put an end to dollar-based trading in the oil market, according to an exclusive report published Tuesday in the U.K. by The Independent.

"News on gold's expected future role in oil transactions between these trading partners has sent the price past $1,020," said Peter Spina, chief investment analyst at GoldSeek.com.

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Peter Spina, GoldSeek.com

In place of the greenback, the nations plan to use a basket of currencies, including the Japanese yen and Chinese yuan, the euro, gold and a new, unified currency planned for nations in the Gulf Co-operation Council, including Saudi Arabia, Abu Dhabi, Kuwait and Qatar, the report said.

The Independent said the plans were confirmed by both Gulf Arab and Chinese banking sources in Hong Kong.

Several top Gulf central bankers immediately dismissed the talk, and the vice chairman of China's central bank made no mention of such a move in a speech.

The demise of the dollar

In a graphic illustration of the new world order, Arab states have launched secret moves with China, Russia and France to stop using the US currency for oil trading.

http://www.independent.co.uk/news/business/news/the-demise-of-the-dollar-1798175.html

The revenue that banks and credit unions generate by letting customers overspend their accounts, then charging them a fee, increased 35 percent in two years, the Center for Responsible Lending reports in a study released Tuesday.

Culling figures gathered by the Federal Deposit Insurance Corp., the consumer advocacy group found that customers paid $23.7 billion in overdraft fees in 2008, up $6.2 billion from two years before.

In the past 12 months, an estimated 51 million Americans spent more than they had in their checking accounts, triggering either an overdraft or non-sufficient funds fee, the study found.

National chain store sales rose 0.4% in the five weeks of September versus the previous month, according to Redbook Research's latest indicator of national retail sales released Tuesday.

The rise in the index was compared to a targeted 0.3% drop.

The Johnson Redbook Index also showed seasonally adjusted sales for the period were down 2.2% from the last year and compared to a targeted 2.9% fall. The latest numbers are starkly different because they don't include Wal-Mart Stores Inc. (WMT), which earlier this year stopped giving monthly same-store-sales figures.

Redbook said, "Sales were firmer in the final week of September and thus ended the month above our retailers' target. Some retailers saw a firmer tone during the latest week, caused by cooler more fall-like temperatures in many parts of the country. However, not all agreed with this view."

Looking ahead, Redbook is projecting a 2.1% drop from a year ago for October, falling 0.9% from September. The International Council of Shopping Centers and Goldman Sachs Retail Chain Store Sales Index rose 0.3% in the week ended Saturday from its level a week before on a seasonally adjusted, comparable-store basis.

A bout of cooler weather helped to spur customer traffic, especially at department stores and discounters, and helped the month to finish on a positive note, said Michael P. Niemira, ICSC chief economist.

The group expects retailers to report a 2% drop in same-store sales when the industry discloses its September results later this week. But Niemira said the decline could end up being narrower than that with the late-month improvement. The results exclude Wal-Mart Stores Inc. (WMT), which earlier this year stopped reporting same-store-sales figures.

Apartment vacancies rose to 7.8 percent in the third quarter, the highest since 1986, as rising unemployment reduced rental demand, Reis Inc. said.

Actual rents paid by tenants, known as effective rents, declined 2.7 percent from a year earlier, the New York-based property research firm said in a report today. Asking rents, or what landlords sought, fell 1.8 percent from a year earlier.

Job losses and falling wages are shrinking the pool of potential tenants. The U.S. unemployment rate rose to 9.8 percent in September, the highest since 1983, the Labor Department said Oct. 2.

Vacancies continued to rise despite what has traditionally been a strong leasing period for apartment properties, Victor Calanog, director of research at Reis, said in a statement. Given the inherent seasonality of rental and lease-up patterns we expect fourth-quarter figures to be even weaker, implying that we may break historic vacancy levels by year-end 2009.

The apartment vacancy rate was 7.7 percent in the second quarter and 6.2 percent in 2008’s third quarter, Reis said. Compared with the second quarter, asking rents fell 0.5 percent and effective rents fell 0.3 percent.

As acting director of a federal agency criticized for lax oversight of the American financial industry, John Bowman has only a few allies these days on Capitol Hill. Still, Bowman says, he relishes the chance to defend the Office of Thrift Supervision against efforts by President Obama and Congress to shut it down.

“It’s a lot of fun,’’ said Bowman, who, as the Office of Thrift Supervision’s former chief counsel was among the US officials who regulated American International Group Inc., Countrywide Financial, and other institutions whose risky practices helped trigger the nation’s economic crisis.

But the idea that Bowman and other federal banking regulators are fighting a sweeping financial industry overhaul taking shape in Congress has infuriated supporters of the legislation. The reforms are needed, they say, to keep regulators from again turning a blind eye to abuses, and prompting another meltdown.

“It’s unbelievable. They totally fell down on the job, and now they are protesting,’’ said Kathleen Day, a spokeswoman for the Center for Responsible Lending, a group that is backing the Obama administration’s proposals to merge responsibilities of several agencies and beef up rules protecting consumers.

In addition to the Office of Thrift Supervision, the Office of the Comptroller of the Currency, the FDIC, and the Federal Reserve are all fighting key elements of the plan.

Open defiance from departments of the federal government has clearly annoyed the administration. But by law, the financial regulators are independent of the White House. Bowman was promoted by Treasury Secretary Timothy Geithner from chief counsel to acting director of the Office of Thrift Supervision in March. Comptroller John C. Dugan and FDIC chief Sheila Bair were both appointed by former President George W. Bush. Federal Reserve chairman Ben Bernanke was originally appointed by Bush, but Obama has nominated Bernanke for another term.

Critics have said the diffuse oversight responsibilities of these agencies, and their business-friendly approach to regulation, allowed banks, insurers, and Wall Street firms to engage in reckless mortgage lending and trading – ultimately requiring a taxpayer-financed bailout of $700 billion to prevent the US economy from sliding into a depression.

The Obama proposals, which are being drafted in detail by Representative Barney Frank of Newton in his role as chairman of the House Financial Services Committee, would merge the Office of Thrift Supervision into the Comptroller of Currency and reduce the consumer-protection powers of the other regulators.

In their place, it would create a new agency called the Consumer Financial Protection Agency to focus on guarding consumers from predatory lending and deceptive financial products, with broad authority to write and enforce rules.

Geithner, the administration's point-man on the financial reforms, declined interview requests. But he explained his rationale for scrapping the old system and starting anew at a recent congressional hearing before Frank's committee:

"We've had a test of whether that system worked. It didn't work.''

Frank said the existing set of regulators have shirked their consumer-protection responsibilities and instead were focused on the overall stability of financial institutions. The new agency is needed, he said, so that at least one financial regulator has consumers as its priority.

"I understand they are trying to protect turf, but it's turf they haven't cared much about,'' he said. "The first time any of them have raised this issue of consumer powers was when we threatened to take it away.''

The agencies, Frank said, "don't want to lose their consumer powers to the consumer protection agency. But they've already lost them to disuse.''

But Bowman and the other regulators insist that they have a legitimate case, saying they have been unfairly blamed for the economic crisis.

"We have very real concerns. To dismiss it as simply being turf is selling us short,'' said Bowman.

The Fed did not respond to requests for comment from the Globe; spokesmen for the FDIC and the comptroller's office referred to public testimony by agency leaders that expressed support for consumer protection but concerns about giving the proposed new agency enforcement powers that could be disruptive for business and raise costs at a time when banks are struggling to emerge from the recession.

Bowman defended his office's record, citing 125 formal enforcement actions over the last 10 years, in addition to other steps that he said were never disclosed publicly because they did not rise to the level of formal actions.

"When we find certain kinds of activities on the part of institutions we regulate that are not consistent with consumer protection, we deal with it very quickly and very effectively, but we do so very privately,'' he said.

The current patchwork system of financial regulation, with four different federal regulators, is the legacy of scattershot reforms over the past 145 years.

The Comptroller of the Currency was established during the Civil War to shore up the financial system. The Federal Reserve, established in 1913, is primarily concerned with monetary policy and fighting inflation, but also has some consumer protection responsibilities. The FDIC, a New Deal-era agency, guarantees deposits in bank accounts. The Office of Thrift Supervision was established amid the wreckage of the savings and loan crisis in 1989 to oversee thrifts, banks that concentrate on consumer lending.

Critics say the existence of four different regulators has allowed banks to go "shopping'' for the regulator who will treat them the most leniently, a problem the critics say could be reduced with a single consumer protection agency that covers the whole financial system. Furthermore, Eugene Ludwig, who was comptroller of the currency during the Clinton administration and is now a critic of the regulatory system, said that since the agencies are funded by the assessments charged on companies they regulate, the agencies have an inherent incentive to keep banks from moving to other regulators.

House Republicans are largely opposed to the White House proposals that Frank is redrafting in his committee, especially the proposed Consumer Financial Protection Agency. They have cited the comments by Bowman and the other regulators.

Representative Jeb Hensarling, a Republican Financial Services Committee member from Texas, said he thought the regulators had a "legitimate concern.''

But that he also opposed the proposed agency on a more fundamental level.

Giving the government so much power to oversee financial products, he said, "assumes consumers are intrinsically stupid.'' [This is the response you get from sociopatahic Illuminists.]

An internal review by ACORN's board of directors found that $5 million was embezzled from the community organization, far more than a previously reported sum of $1 million, according to documents from the Louisiana attorney general's office.

The new amount was reported in a subpoena released Monday from an investigation by Attorney General Buddy Caldwell, the Times-Picayune reported yesterday. It is unclear if the money was taken from state, federal, or private funds, according to the subpoena.

Bertha Lewis, chief executive officer of the Association of Community Organizations for Reform Now, said the new embezzlement allegation is "completely false.'' She said she would comment further after she and ACORN attorneys have a chance to review the subpoena.

Caldwell issued subpoenas in August seeking documents related to Wade Rathke, then the president of ACORN International, and his brother, Dale Rathke, who kept the group's books. Those subpoenas targeted possible violations of state employee tax law, obstruction of justice, and violations of the Employee Retirement Security Act.

The attorney general made inquiries in June into alleged embezzlement within ACORN that happened 10 years ago. The group last year dealt with an internal dispute and a lawsuit involving accusations that Dale Rathke made nearly $1 million in improper credit card charges in 1999 and 2000. Rathke's brother and a donor repaid the money.

But Caldwell said last month that the statute of limitations prevented prosecutors from taking action on the alleged embezzlement.

The subpoena issued Monday puts a new emphasis on the embezzlement issue. It appears to be in reaction to documents gathered from ACORN's board as a result of the August subpoenas.

"Current high-ranking members of ACORN have publicly acknowledged that embezzlement did in fact occur, but the exact amount of the embezzlement was unknown until it was recently acknowledged in a board of directors meeting on Oct. 17, 2008, by Bertha Lewis and Liz Wolf that an internal review had determined that the amount embezzled was $5 million,'' the new subpoena says.

Police used water cannons, tear gas, and pepper spray yesterday to disperse hundreds of demonstrators protesting against the annual meetings of the International Monetary Fund and the World Bank, held in Istanbul.

Dozens of masked protesters shattered the windows of a McDonald's restaurant and several banks, also damaging vehicles as they ran into the streets behind Istanbul's Taksim Square, which is less than half a mile from the site of the IMF and World Bank meeting.

The protesters, armed with firebombs and slings, repeatedly confronted the police in narrow back streets, but a heavy police presence prevented them from reaching the meeting. Thousands of police wearing gas masks and protective gear erected barriers and detained more than 70 protesters, said Muammer Guler, governor of Istanbul.

The protesters were mostly members of small leftist parties or labor unions. CNN-Turk television said foreign protesters were also involved. Police helicopters hovered above the crowds.

Clouds of tear gas filled the air above Taksim Square while firefighters battled a blaze set by protesters. Passersby and reporters were also affected by the tear gas.

[In January we predicted a second stimulus program of $2 trillion for 2010, so that politicians can get re-elected. Now finally 9 months later others are catching on.] The US government may announce another stimulus package in the first half of 2010 to revive economic growth and create jobs before mid-term elections, according to High Frequency Economics Ltd.

"When we get into next year, which is an election year, politicians will push for another round of stimulus and that will help to support growth,'' Ian Shepherdson, economist at the Valhalla, N.Y.-based research firm, said. "But even with that, the idea of rebounding into a normal V-shaped cyclical rebound is going to be very difficult.''

President Obama is considering a mix of spending programs and tax cuts to respond to widening job losses. He and his aides have forecast that employment growth will lag in an economic recovery as they try to tackle rising joblessness before midterm elections in November 2010.

The discussion of the initiatives, including a boost in transportation spending and an extension of an expiring tax credit for first-time homebuyers, comes as the White House is balancing rising concern about unemployment and a budget deficit the Congressional Budget Office estimates will total $1.6 trillion this year and $1.4 trillion in 2010.

In considering the measures, the administration must reconcile two potentially contradictory missions: combating rising unemployment through government intervention and the need to hold deficits down.

Mortgage applications in the U.S. rose last week to the highest level since May as near record- low borrowing costs boosted refinancing and sent purchases to a 10-month high.

The Mortgage Bankers Association’s index of applications to purchase a home or refinance a loan jumped 16 percent to 756.3 in the week ended Oct. 2 from 649.6 in the prior week. The group’s gauge of refinancing surged 18 percent and its measure of purchases climbed 13 percent.

Lower home prices, falling mortgage rates and tax credits to first-time buyers have shored up sales, helping stabilize the housing-market slump that precipitated the financial crisis. Mounting job losses and foreclosures are a reminder that a recovery, in both housing and the economy, will be slow to develop.

“The bottoming process in the housing market is under way,” said Michelle Meyer, an economist at Barclays Capital Inc. in New York. “Residential investment should serve as a positive contribution to growth” in the third quarter.

The mortgage bankers’ purchase index increased to 306.1 last week, the highest level since January, from 270.4 the previous week, today’s report showed. The refinancing gauge jumped to 3,377.1, the highest level since May, from 2,857.3.

The share of applicants seeking to refinance loans rose to 66.3 percent of total applications last week from 65.3 percent.

Borrowing costs fell. The average rate on a 30-year fixed- rate loan decreased to 4.89 percent last week from 4.94 percent the prior week. The rate reached 4.61 percent at the end of March, the lowest level since the group’s records began in 1990.

At the current 30-year rate, monthly borrowing costs for each $100,000 of a loan would be $530, or about $68 less than the same week a year earlier, when the rate was 5.98 percent.

The average rate on a 15-year fixed mortgage fell to 4.32 percent last week from 4.34 percent. The rate on a one-year adjustable mortgage jumped to 6.56 percent from 6.40 percent.

Recent data indicate the housing industry is emerging from its worst recession since the 1930s. The index of signed purchase agreements, or pending home sales, jumped 6.4 percent in August, a seventh consecutive gain, the National Association of Realtors said on Oct. 1.

Rent for office space is falling at the fastest pace in more than a decade as vacancies create a glut and landlords slash prices to attract tenants.

Nationwide, effective office rents fell 8.5% in the third quarter compared with the same period a year ago, the steepest year-over-year decline since 1995, according to Reis Inc., a New York real-estate research firm.

The decline came as companies returned a net 19.6 million square feet of space to landlords in the third quarter, slightly more than in the second quarter. For the first three quarters of this year, the net decline in occupied space totaled a record 64.2 million square feet, the highest so-called negative absorption recorded since Reis began tracking the data in 1980. (That doesn't count space that left the market as a result of the 2001 terrorist attacks.) The vacancy rate, meanwhile, hit 16.5%, a five-year high, according to Reis.

The collapse of a financial institution is not necessarily a disaster. If free markets are to thrive, we must not allow giant, state-supported banks to believe that they are indestructible, Niall Ferguson warns.

But this crisis was not the result of deregulation and market failure. In reality, it was born of a highly distorted financial market, in which excessive concentration, excessive leverage, spurious theories of risk management and, above all, moral hazard in the form of implicit state guarantees, combined to create huge ticking time-bombs on both sides of the Atlantic. The greatest danger we currently face is that the emergency measures adopted to remedy the crisis have made matters even worse.

By the end of 2007, 15 megabanks, with combined shareholder equity of $857 billion, had total assets of $13.6 trillion and off-balance-sheet commitments of $5.8 trillion – an aggregate leverage ratio of 23 to 1. They also had underwritten derivatives with a gross notional value of $216 trillion – more than a third of the total.

This is moral hazard run mad – a system in which a few giant banks get to operate as hedge funds with a government guarantee that if they blow up, their losses will be socialized…the real aim of government should be to give the TBTFs "positive incentives … to shrink and to reduce their leverage, complexity, and interconnectedness".

The best way of creating such incentives is to reiterate, preferably once a week, one key point: in case of failure, "the largest, most interconnected firms" should in future be wound up "in a way that protects taxpayers and the broader economy while ensuring that losses are borne by creditors and other stakeholders".

Felix Salmon: According to the OCC, they're JP Morgan Chase, Goldman Sachs, Bank of America, Citibank, and Wells Fargo. Add up their "total derivatives" numbers in Table 1 of the latest OCC report, and you get $197 trillion, which is indeed 97% of the $203 trillion in total notionals.

But never mind that, and take a look at Table 2 instead….the size of Bank of America's derivatives holdings spikes from $39 trillion to $75 trillion, while Morgan Stanley appears from nowhere to reveal itself as holding a more-than-healthy $41 trillion in derivatives. It seems that at Merrill Lynch and Morgan Stanley, the derivatives are generally held by the holdco rather than the bank, which allows the OCC to ignore them for the purposes of its headline calculations.

Add up the derivatives books at the holdcos, and the total isn't $203 trillion any more: it's $291 trillion — an increase of $88 trillion which is very hard to find in the OCC report unless you're specifically looking for it. And never mind Wells Fargo, which was also something of an also-ran in the top five banks. The top five now comprise JP Morgan, Bank of America, Goldman Sachs, Morgan Stanley, and Citigroup, with derivatives holdings between them of $278 trillion. That's 95% of the true total, or 137% of what the OCC would have you believe was the total.

A new value-added tax (VAT) is "on the table" to help the U.S. address its fiscal liabilities, House Speaker Nancy Pelosi (D-Calif.) said Monday night.

The VAT is a tax on manufacturers at each stage of production on the amount of value an additional producer adds to a product.

Pelosi argued that the VAT would level the playing field between U.S. and foreign manufacturers, the latter of which do not have pension and healthcare costs included in the price of their goods because their governments provide those services, financed by similar taxes. "They get a tax off of that and they use that money to pay the healthcare for their own workers," Pelosi said, using the example of auto manufacturers. "So their cars coming into our country don't have a healthcare component cost.

Pelosi is: 1) Trying to use the VAT as a tariff; and 2) ignorant of how a VAT is applied unless she intends to apply it only to imports, which would expose her scheme to use VAT as a surreptitious tariff.

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