Fall of the Dollar on G-20 Finance Ministers Agenda

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The G-20 finance ministers meet in Scotland on November 6th and 7th, and they will all be bleating about the fall in the dollar. France started this week, and the others will follow. Their currencies are rising in value and they do not like it.

We expect other nations to follow, Mexico and Brazil in imposing a 2% tax on incoming funds and others will print their currencies and buy dollars to reduce the value of their currencies and at the same time buy US Treasuries that are decreasing in value. That will neutralize any benefit from the exercise. In addition, they will all scream for a strong dollar policy. By the time the meeting begins the dollar should be between 71 and 72 on the USDX, the dollar index. The weaker dollar means dollar debt will be cheaper to pay back. The big question is how long will it take for the dollar to fall to 40 to 55?

We are often asked how does today compare with the 1930s in tax revenue and government spending? In 1930-31 tax revenue fell almost 53%. It increased 250% in 1932 and tripled in 1938. Yet, growth during the 30s went nowhere. In spite of an increase of 45% in government spending during those years by 1940 GDP had not returned to the levels of 1930. In 1939 unemployment was still 17.2% and in 1940, 16.4%. This is the same monetary policy being used today that was used during the 1930s. Keynesian monetization that does not work. The only reason the depression did not continue is that FDR arranged another war, otherwise the depression could have continued indefinitely. The debt bubble of the 1920s only lasted seven years. Our present debt bubble actually began in 1978, was purged in 1982-83 and began again in 1986. It was killed in 1989 and resurrected in 1994. The bubble of 2000-2001 was replaced by our current real estate bubble in 2003, which is now in the process of deflating. The privately owned Federal Reserve engineered all this.

The current fiasco was accompanied by a shortfall in tax collections to government spending from 2003 to 2007. 2008 held its own due to cooking the books and 2009 fell almost 18%. Unless further tax increases are implemented you can expect 2009 to fall short as well. Thus, if taxes are not increased the American economy will collapse. This is harsh and tax increases will come at just the wrong time. It can in part by temporarily covered by hyperinflation, but that would be a transitory solution. 62.8% of foreign reserves are in US dollars, so as the dollar depreciates foreign debt decreases. The flip side is that there is major imported inflation, particularly in the cost of goods and services.

Present government stimulation is not going to work. It didn't work in the 1930s and Japan has found out to its dismay that since 1992 it didn't work for them either. Why should it work in America? The debt that has been so wantonly created is still going to be there and if taxes are not raised or costs cut, it will be even larger.

Our government, Wall Street and many Americans are basing their future on stimulation and recovery and it isn't going to happen. This supposedly is how government is going to generate its tax revenue. All we can say is good luck.

At the G-20 and G-7 we hear about an exit strategy. A strategy that doesn't exist. Others may raise taxes but we can assure you the US and UK will be the last to do so. They are currencies in disparate trouble. The dollar will find its real value somewhere between 40 & 55 on the USDX. The dollar will become a third world currency and as a result gold will climb to $2,500 to $3,000.

The G- 20 let us know that they would be replacing the G-7 and G- 8. This desperation of power to developing countries would expedite the transfer of wealth from Western nations in the third world via carbon taxation in order to lower standards to meet those of the lower tier countries. This is being done to force the first world to accept world government.

In his address to the conclave US Treasury Secretary Tim Geithner told attendees that the US was going to legislate sweeping changes to the financial system under the guise of creating greater protection for consumers and investors and to promote a more stable financial system that would relieve taxpayers of the burden of the financial crisis.

The members still want to complete the Doha trade talks that have been bogged down for four years. What the WTO is really trying to accomplish is extreme financial deregulation under the cover of trade agreements, which would undermine genuine regulation and would make the entire world a free trade zone to be further looted by transnational conglomerates. The force behind WTO deregulation is the EU and they are pushing the worst aspects of the plan.

The WTO has an agreement called the FSA, the Financial Services Agreement that explicitly applies to more than 100 countries and mandates major deregulation. Mr. Geithner worked on this plan during the Clinton administration, so his regulation statements are meant for public consumption only. Incidentally, the WTO-EU rules are virtually unknown to the US Congress.

Geithner was the one who closed the deregulation deal for the Clinton entourage as lead negotiator. He knows all about the existing agreements. He was directly instrumental in the destruction of Glass-Steagall. The whole new crowd in the Obama administration was responsible for setting up what has become the destruction of our financial system.

The present US course is to re-regulate and that is in direct opposition to what the WTO and the EU want. There will be quite a fight over this change of direction by the US, especially over the WTO, Understanding on Commitments in Financial Services, which is severe deregulation. The bottom line is Doha, the FSA, WTO and the EU have to be stopped. More deregulation is now politically unaccepted by Americans who have lost so many jobs. There obviously are two factions within the Illuminist structure fighting this out. In fact, the FSA was largely written by American Express and AIG. These are some of the inner workings behind the scenes that you never hear about. Things are never what they seem to be.

The Treasury will have major issuances next week. On Monday alone they will issue $116 billion in new notes and bills, 2, 5 & 7-year paper; plus another $30 billion in bills and $7 billion in TIFS. Tuesday will see $44 billion in 2-year notes. On the 28th, $41 billion in 5-year notes and on the 29th, $31 billion in 7-year notes. That totals $182 billion and that is disastrous.

Domestic investors are selling the rally in domestic stocks at an accelerating rate while continuing to invest overseas, and in the emerging bond bubble.

Don't' be deceived by Wall Street and Washington, the worst remains ahead for the economic and systemic-solvency crisis. There are no meaningful signs of business recovery, with the current depression likely to evolve into a great depression, in conjunction with the collapse of the value in the US dollar and a hyperinflation. Risks are high for these crisis's to explode in the year ahead. The general outlook is not changed says economist John Williams.

Mortgage application fell for a second straight week with refinance loans decreasing 13.7%, the lowest since 9/11/09.

Barclays Capital hosted a private meeting yesterday with Goldman Sachs president Gary Cohn, CFO David Viniar and Global Sales and Treading co-heads David Heller and Harvey Schwartz.

How concerned are they about any new regulations on the financial industry? Not much. In a copy of the notes Barclay is putting out on the meeting, and obtained by EconomicPolicyJournal.com, Goldman told Barclay that it is educating the regulators.

Barclay advised that senior Goldman management are spending an, "exorbitant amount of time thinking about potential regulatory and policy outcomes and educating regulators and policymakers on the intricacies of financial markets."

The only picture I can conjure up is Blankfein and company educating, Gene Sperling ("Counselor" to Geithner) who last year took in $887,727 from Goldman Lee Sachs (Geithner's "right hand man") who reported more than $3 million in salary and partnership income from the hedge fund Mariner Investment Group (started by Brace Young former Goldman partner) and Gary Gensler (Head of CFTC) former Goldman partner.

U.S. home prices fell 0.3% in August from July, a regulator said, the first monthly decline in four months.

The Federal Housing Finance Agency on Thursday said that for the 12 months ended in August, prices dropped 3.6%.

The index is 10.7% below its April 2007 peak.

On a monthly basis, prices rose 0.3% in July. The last time prices had gone down was April, by 0.5%.

In a sign of tough times for the jobs market, the number of U.S. workers filing new claims for jobless benefits fell more than economists expected last week, the U.S. Labor Department said in its weekly report Thursday.

Total claims lasting more than one week, meanwhile, declined.

Initial claims for jobless benefits rose by 11,000 to 531,000 in the week ended Oct. 17. The previous week's level was revised from 514,000 to 520,000.

Economists surveyed by Dow Jones Newswires had expected only a slight increase of 4,000.

On a more positive note, the four-week moving average of new claims, with aims to smooth volatility in the data, dropped slightly by 750 to 532,250 from the previous week's revised figure of 533,000. That is the lowest level since Jan. 17.

Public must learn to 'tolerate the inequality' of bonuses, says Goldman Sachs vice-chairman Bankers' soaring pay is an investment in the economy, Lord Griffiths tells public meeting on City morality.

One of the City's leading figures has suggested that inequality created by bankers' huge salaries is a price worth paying for greater prosperity.

In remarks that will fuel the row around excessive pay, Lord Griffiths, vice-chairman of Goldman Sachs International and a former adviser to Margaret Thatcher, said banks should not be ashamed of rewarding their staff.

Speaking to an audience at St Paul's Cathedral in London about morality in the marketplace last night, Griffiths said the British public should "tolerate the inequality as a way to achieve greater prosperity for all".

He added that he knew what inequality felt like after spending his childhood in a mining town in Wales. Both his grandfathers were miners who had to retire from work through injury.

With public anger mounting at the forecast of bumper bonuses for bankers only a year after the industry was rescued by the taxpayer, he said bankers' bonuses should be seen as part of a longer-term investment in Britain's economy. "I believe that we should be thinking about the medium-term common good, not the short -term common good … We should not, therefore, be ashamed of offering compensation in an internationally competitive market which ensures the bank businesses here and employs British people," he said.

Griffiths said that many banks would relocate abroad if the government cracked down on bonus culture. "If we said we're not going to have as big bonuses or the same bonuses as last year, I think then you'd find that lots of City firms could easily hive off their operations to Switzerland or the far east," he said.

Goldman Sachs is currently on track to pay the biggest ever bonuses to its 31,700 employees after raking in profits at a rate of $35m (£21m) a day.

The Centre for Economics and Business Research (CEBR) said today that City bonuses could soar to £6bn this year.

The chairman of the Financial Services Authority (FSA), Lord Turner, who was also present at the meeting, called once again for a global tax on financial transactions. He said that such a so-called "Tobin tax" could redistribute bank profits to help fight world poverty and climate change.

"The role of regulation is to bring a concordance between private actions and beneficial results," he said.

The aging Mr. Volcker (he is 82) has some advice, deeply felt. He has been offering it in speeches and Congressional testimony, and repeating it to those around the president, most of them young enough to be his children.

He wants the nation's banks to be prohibited from owning and trading risky securities, the very practice that got the biggest ones into deep trouble in 2008. And the administration is saying no, it will not separate commercial banking from investment operations.

Mr. Volcker's proposal would roll back the nation's commercial banks to an earlier era, when they were restricted to commercial banking and prohibited from engaging in risky Wall Street activities. The Obama team, in contrast, would let the giants survive, but would regulate them extensively, so they could not get themselves and the nation into trouble again. While the administration's proposal languishes, giants like Goldman Sachs have re-engaged in old trading practices, once again earning big profits and planning big bonuses.

Mr. Volcker argues that regulation by itself will not work. Sooner or later, the giants, in pursuit of profits, will get into trouble. The administration should accept this and shield commercial banking from Wall Street's wild ways.

Mr. Volcker scoffs at the reports that he is losing clout. "I did not have influence to start with," he said. [In other words, Paul has been used.] http://www.nytimes.com/2009/10/21/business/21volcker.html?_r=2&hp

Ninety percent of institutional investors believe that the S&P500 will rise to 1,200 by the end 2011 according to a survey by The Markets. 75% then expect it to hit 1,500 by the end of 2013, and 75% believe that the market already bottomed earlier this year. The survey covered 103 investors in 20 countries.

US solons are trying to replicate the 'worst recovery since the Great Depression' that occurred during Bush II's reign. The same policies are being implemented with the same bubbly results. Multi-national corporations are making money due to dollar debasement but the average American's income and living standards continue to be debased with the dollar. Job and income growth is putrid.

The U.S. Treasury has raised $1,269.85 billion in new cash this year selling Treasury securities. The Federal Reserve has purchased $298.064 billion in Treasury securities, or 23.5 percent of the new cash raised in 2009 by the Treasury. [less than $2B left in Fed's QE quiver]

The world has been flooded by liquidity unleashed by the central banks of overdeveloped economies. Now it is spurting up elsewhere. There are signs of asset booms in countries as far afield as Peru (equity market up 139 per cent this year), Indonesia (112 per cent) and Turkey (99 percent). Eventually, these will turn to busts.

In the past, capital controls often smacked of desperation. But the crisis has lifted the stigma of such interventions. Indeed, policies that cool down hot money can be cast as the kind of prudential and anti- cyclical measures now in vogue. In the developing world, faster-than-expected recoveries and rising interest rates could foment a vicious carry trade. Capital controls could yet make a comeback.

Speculative net long positions on New York's Comex market hit another all-time high 253,955 lots in the week to October 13, suggesting growing risks for these

long positions to be cleared and putting downward pressure on prices.

The Telegraph: Barack Obama sees worst poll rating drop in 50 years   The decline in Barack Obama's popularity since July has been the steepest of any president at the same stage of his first term for more than 50 years.
http://www.telegraph.co.uk/news/worldnews/northamerica/usa/barackobama/6409721/Barack-Obama-sees-worst-poll-rating-drop-in-50-years.html

The Friday Night FDIC Financial Follies is with us again. The number of U.S. bank failures in 2009 ran past the 100-level mark late Friday, when regulators shut down six banks.

Regulators closed: Partners Bank of Naples, Fla.; American United Bank of Lawrenceville, Ga.; Hillcrest Bank Florida of Naples, Fla.; Flagship National Bank of Bradenton, Fla.; Riverview Community Bank of Otsego, Minnesota; and Bank of Elmwood of Racine, Wisconsin.

Banks in Georgia account for one-fifth of all U.S. banks to close this year. It is the worst year on record for U.S. bank failures since 1992. In this cycle, Georgia has been hit hardest, with 20 failures, followed by Illinois with 16, California with 10 and Florida with nine. The White House Friday highlighted a new multi-million-dollar technology fund for Muslim nations, following a pledge made by President Barack Obama in his landmark speech to the Islamic world.

The White House said the US Overseas Private Investment Corporation (OPIC) had issued a call for proposals for the fund, which will provide financing of between 25 and 150 million dollars for selected projects and funds.

The Global Technology and Innovation Fund will "catalyze and facilitate private sector investments" throughout Asia, the Middle East and Africa, the White House said in a statement.

Eligible projects would advance economic opportunity and create jobs in areas like technology, education, telecoms, media, business services and clean technology, the White House said.

OPIC said sample projects could help foster the development of new computer technology or telecommunications businesses, or widen access to broadband Internet services.

Proposals must be submitted by the end of November, and managers of funds that make a final short list will make presentations in Washington in January.

Final selections will be announced next June.

In his speech to the Muslim world in Cairo last June, Obama argued that "education and innovation will be the currency of the 21st century" and that under-investment was rife in many Muslim nations.

As well as the fund, Obama also said he will host a summit on entrepreneurship this year to deepen ties between business leaders in the United States and Muslim communities around the world.

In his speech on June 4, Obama vowed to forge a “new beginning” for Islam and America, promising to purge years of “suspicion and discord.”

In what may be one of the defining moments of his presidency, Obama laid out a new blueprint for US Middle East policy, pledged to end mistrust, forge a state for Palestinians and defuse a nuclear showdown with Iran.

Naked shorting is still rampant, as the SEC does nothing to protect the public. The government is coddling the big Wall Street firms, as crime runs rampant. This makes armed robbers and drug dealers look like saints. White-collar crime is devouring our society. These are the crooks in $3,000 suits. They are stealing our pensions, cheating in the market, bankrupting our companies, destroying millions of jobs and ruining countless lives.

Today the White House stepped up its attack on Fox News, announcing that the network would no longer be able to conduct interviews with officials as a member of the Press Pool. The Pool is a five-member group consisting of ABC, CBS, CNN, Fox News and NBC organized by the White House Correspondents Association. Its membership is not subject to oversight by the government.

Before an interview with “Pay Czar” Kenneth Feinberg, the administration announced that Fox News would be banned from the press pool. This marks the first time in history that an administration had attempted to ban an entire network from the press pool.

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To their credit, the other networks objected. They told the White House that if Fox were banned, none of the other networks would participate. The White House relented, but in an apparent act of petulant retaliation, it restricted each network to a two-minute interview instead of the standard five.

Interestingly, this behavior completely contradicts an opinion rendered Tuesday by White House spokesman Robert Gibbs when questioned by ABC’s Jake

Tapper.

White House Press Secretary Robert Gibbs: We render opinion based on some their coverage and the fairness of that coverage.Tapper: That’s a pretty sweeping declaration that they’re not a news organization. How are they different from, say another, say ABC, MSNBC, Univision?

Gibbs: You and I should watch sometime around 9 o’clock tonight or five this afternoon.

Tapper: I’m not talking about their opinion programs. Or issues you have with certain reports. I’m talking about saying that thousands of individuals who work for a media organization do not work for a news organization. Why is that appropriate for the White House to say?

Gibbs: That is our opinion.

Carol E. Lee, Politico: Does that mean the White House doesn't believe they should be part of the press pool?

Gibbs: The press pool is decide by the White House Correspondents Association. Lee: So you have no opinion on whether they should be …

Gibbs: I'm not going to delineate for the White House Correspondents Association how the pool is conducted. That's not my job.

So the administration contradicted itself within 48 hours. That's about twice as long as normal.

Perhaps the White House will next try to pull Fox News' press pass. That would be entirely consistent with the Hugo Chavez-style of government that President Axelrod and his advisers are trying to install. I'm patiently waiting for the ACLU to stand up for freedom of the press and complain to President Obama about quashing Fox's First Amendment rights. Update: Dan Riehl: "For the first time in my life I'm actually uncomfortable knowing that this guy has control of our military and Federal police forces. If he thinks he can simply shut down a member of the press on a whim, how long before he goes full Chavez?" Update II: Hope for America has the video report [link to directorblue.blogspot.com http://directorblue.blogspot.com/2009/10/obama-administration-tries-to-ban-fox.html

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