

Fiat Money Created Out of Thin Air: The Bank Bailouts are Unconstitutional

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The starting point for all analysis of the ongoing bailout orgy that is currently being used in crony capitalist fashion to transfer wealth from our middle class to the financial elites and their transnational conglomerates is whether these bailouts are authorized by the US Constitution. The answer is a resounding NO!

Nothing in the Constitution could ever be interpreted in any manner that would in any way allow the conversion of our quasi-capitalist republic into a police state, which is the last thing our Founding Fathers had in mind.

How can our government simply hand over fiat money created out of thin air, which in itself totally violates the provisions in our Constitution dealing with the issuance of money, to whoever they deem to be too-big-to-fail? The very idea of such targeted bailouts violates every precept upon which our nation was founded, and our Constitution in no way allows the bailout of any private person or business entity, especially where this creates special privileges to be given to a chosen few “anointed” entities at the expense of our citizens in general. Regulation of interstate commerce does not mean doling out crony capitalist bailouts, which amount to nothing short of the implementation of feudalism under the Puppet Master oligarchs of our Shadow Government. Regulation would mean fining and jailing these criminals and allowing them to fail so better run companies can acquire their assets via liquidation to be supervised by regulators. You reap what you sow in this nation. You do not reap profits for yourself and have everyone else pay for your losses. That is pure poppycock detritus.

But where is our redress? We have a President who is a usurper pushed into office by the Puppet Masters in another violation of our Constitution that limits the Presidency to natural born citizens, we have a bogus Congress beholden to the Puppet Masters for the filling of their campaign coffers in a political system where elective offices are bought and sold based on wealth instead of ability and integrity, and we have a Kangaroo Court System where the judges know not to bite the hands that appointed them, lest their skeletons be released from their closets or worse. Our regulators, who are in on almost every scam and public rip-off (i.e. the Madoff debacle), look the other way or issue chump change fines without requiring any accountability. The only redress left now are forceful public demonstrations, and if the President and Congress still turn a deaf ear, then there is always the Second Amendment, which is the option which we predict will eventually be used to create a change in our government from total corruption back to public service. Obama wanted “change,” and that is what the American people are going to give him, not what he is going to give us. And let’s also make that perfectly clear to the Illuminati, whose boots Obama daily licks like a slobbering dog.

When the subprime/credit-crunch debacles first unfolded, we took the position that there should absolutely be no bailouts because such things are illegal, unfair, immoral and flagrantly unconstitutional. You do not mess with private contract rights, or dole out special privileges to a chosen few on a whim, lest you become known as just another Banana Republic. We are a nation of laws and legal precedents. You don't throw out hundreds of years of legal precedent by subordinating secured bondholders to unsecured creditors, all with the blessing of our Supreme Kangaroo Court and its nine numbskulls, who are appropriately dressed like Darth Vader, and then expect any other nation in the world to take you seriously. Our nation has lost any modicum of credibility and integrity, and the only nations who continue to deal with our government are the ones whose governments are even more criminal than ours is and/or who are caught in a "dollar trap." This fact alone is enough to kill the bond markets. This total disregard of the law and of legal precedents creates tremendous risk in the minds of foreign investors, and that means higher interest rates, and lower bond values, both public and private. And never mind the coming hyperinflation! We deserve to have the dollar lose its reserve status and to have our treasuries rated as "junk" bonds based on the actions of our leaders alone, much less the state of our economy. No contract is sacred anymore. They just make up the rules as they go along.

When we recommended against bailouts, we initially were referring to the subprime borrowers who lied on their applications and never should have been given mortgages in the first place. Bailing out failed financial institutions was the farthest thing from our mind because it was simply unthinkable. Instead, we have seen subprime borrowers given token help and watched in horror as the failed Illuminist financial institutions were given the key to Goldman Sachs South and its Treasury Department. We watched slack-jawed as the United States of America became the "Crony Capitalist Bailout Nation." If anyone is going to be bailed out, it should be the taxpayers and not the elitist transnational corporations and financial institutions who park their foreign profits offshore and don't pay any taxes on those profits! COME ON!!!

But the bailouts of "anointed" Illuminist companies have served one purpose very well. They have provided us with the smoking gun that proves the existence of the Illuminist agenda which we discuss in every issue of the IF. What do we mean by that? As Joan Rivers would say: "Let's talk."

Let us first say that the only sensible solution to all the ongoing debacles, other than an immediate purging of the economy which is what we recommended because it would minimize the pain of financial excess and maximize the speed of recovery, would have been to correct the defaults that were causing the various real estate and other credit derivatives to lose value. The defaults could have been corrected by making the loans current or even by paying them off altogether.

The math is totally obvious. Anyone with a high school diploma, a calculator and Internet access could have figured it out. Yet apparently the people with 1600 combined SAT scores, Ivy League diplomas and many years of Wall Street experience apparently could not figure this out. Do you really believe that? If so, you are incredibly naive. You probably also believe that the psychopathic leverage, moronic lending standards and outlandish ratings

on bonds and derivatives were the product of mistakes, greed and poor judgment. Again we say: COME ON!

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Yes, the underlings were simply doing as they were told to get their million dollar bonuses even though they knew that what they were doing seemed very imprudent, but the people at the top, from the upper tier of the Illuminist cabal, knew exactly what they were doing. The top dogs created the framework for the underlings to work in. That framework was intentionally and fatally flawed by maniacal leverage, rampant fraud and total lack of any meaningful regulation. Even a minor problem could be magnified into a major issue via excessive leverage. And any major problem could, by that same excessive leverage, be magnified into a catastrophic financial meltdown that would destroy the US economy, and even the world economy. You have to kill off the old system utterly, so you can install your fascistic police state and one world government in the ensuing chaos, and that is exactly what is happening right under your nose, right before your very eyes. Does God have to club you over the head from His throne in Heaven to get you to take notice? Get a freaking clue, America!!!

Now, let's look at some numbers. According to mortgage loan servicers handling 64% of all first liens, they were managing \$34 billion loans totaling \$6 trillion dollars of which two thirds were prime loans. That would make the average mortgage somewhere in the area of \$175,000. If we add in the other 36% of first liens, and assuming the same overall average principal for these loans, we would have a total of about 53 million first liens with an average of \$175,000 per mortgage. The TARP money was 700 billion dollars. That means we could have completely paid off 4 million mortgages, or cut 8 million mortgages in half whose borrowers would then be able to easily refinance with their high newfound equity. And Realty Trac tells us that from 2005 to 2008, inclusive, about 7.5 million properties had foreclosure notices of default, orders of foreclosure and/or notices of sale served/filed against them. There is a lot of double counting there because multiple filings could affect the same properties in different years and not all properties go to foreclosure, but it does give us an outside/maximum figure for loans in serious default. All those mortgages could have been cut in half with the TARP money and saved from foreclosure, and refinanced down to affordable payments.

What would such a bailout have meant for America? Bear Stearns would still be here, Lehman Brothers would still be with us, AIG and the insurers would have manageable claims and still have decent ratings, all the subprime lenders would be solvent, all the Wall Street legacy investment banks and commercial banks would still be functioning and would not have become penny stocks, municipal bonds would be selling like hot cakes, the Dow might be past 14,000, most people would still have their jobs, pensions would be flush, the real estate market would still be sledging along, and the world economy would still be humping. And we haven't even touched the \$787 billion of pork from the stimulus plan, or the two trillion dollars that the Fed doled out to both foreign and domestic banks and that is still unaccounted for! With those funds we could have paid off everyone's general purpose credit cards (one trillion), cut another 8 million mortgages in half (700 billion), and still had over a trillion left over to take care of the defaulted car loans, student loans, commercial mortgages and future residential mortgage defaults! Even the foreign banks could have been saved!

Why would this be so? Because if the defaults were cured, the de-leveraging of the big commercial and investment banks, which were, and still are, leveraged at a rate of about 50 to 1, would not have become necessary, at least not right away. This need to de-leverage to absorb losses when they occur by banks that are leveraged at 50 to 1 is what makes a trillion dollar problem into a 50 trillion dollar problem, and this is where we are headed when the Derivative Death-Star ignites and/or banks are forced to mark-to-market again. All this pain could have been avoided by the curing of loan defaults.

Would it have been fair to bail out the liar loans? Of course not. This drips of moral hazard. But would you rather bail out the banker-gangsters instead? Is it more fair to do what our government has done for the criminals on Wall Street? Heaven forbid! And besides, the bailout of the liar loans would have automatically bailed out the banker-gangsters in any case!!! Do you mean to tell us that the geniuses of corporate America, Wall Street and Goldman Sachs South could not figure this out? Again we say: COME ON!!!

But it gets even better. We are told by our government bean counters that they think it will take about \$24 trillion to bail out the so-called too-big-to-fail banks. So let's have some fun with this money. In the private sector, we have \$13.8 trillion in household debt, \$11.1 trillion in business debt, and \$17.2 trillion in debts of financial institutions. We could take the \$24 trillion and totally pay off all household and business debts.

That means the financial institutions would collect all that money and use it to pay off their debts as well. The whole system could have been de-leveraged and the derivatives canceled by regulators. Would we have hyperinflation as a result of all this bailing out? Of course! And some deflation as well. But would you rather go into hyperinflation debt free, or in hock up to your ears? You're going to get hyperinflation whether you get bailed, or the banks get bailed. And if you get bailed, the banks automatically get bailed. And for those banks that were totally careless, they would get to fail and be absorbed by the thousands of good banks who would jump at the chance.

Large amounts of pain are being inflicted on you needlessly while the criminal Illuminati and their nefarious banker-gangsters get bailed out, thus sucking all your blood out like a vampire squid wrapped around the face of humanity, as Goldman Sachs was recently described by Matt Taibbi. This is why all the efforts to cure defaulted loans have been half-hearted at best, and non-existent at worst. The Illuminati know that this is the best cure for the sheople, so we most certainly can not have that. Else, how could they form their Orwellian one world police state of feudality and become lords of the universe over their future serfs? This whole bailout bonanza for financial criminals is the smoking gun. This is irrefutable evidence that the leaders of corporate America, Wall Street and Goldman Sachs South are venomous traitors who want to enslave you and put you and your posterity into bondage forever!

The percentage of occupied living units in the US that were owned as opposed to being rented was about 62% in 1960. All the shenanigans with Fannie and Freddie and the loosening of loan standards so that anyone breathing could have a mortgage has caused that home ownership percentage to fluctuate in an upward trend with the ebbs and flows of various real estate bubbles since that time, with a peak of almost 69% in 2005. If we were

to trend back to 1960's 62% ownership, some five million owners would have to become renters again. We see this as inevitable, and it may get much worse as we move into the most disastrous state of the US economy in our nation's entire history. With long-term unemployment at over 20%, which could double if the Illuminati have their way with the ridiculous bailouts of banker-gangsters, and with hyperinflation on its way, we could see the percentage of home ownership easily drop to 55%, or even less. We also see prices for housing potentially reverting back to the levels that existed at the beginning of the 1990's, which is before profligate expansion of money and credit by the Fed began in earnest as the totally criminal Clinton Administration got underway in 1993. That wild-eyed monetary expansion by the Fed has distorted asset values across the board, and has grown worse with time to cover over the destruction of our economy via free trade, globalization, offshoring, outsourcing and both legal and illegal immigration.

Foreclosures, coupled with much higher interest rates on account of hyperinflation and elevated risk, could potentially become bad enough to reduce the median house price to 120,000 as it was in 1991, when the real estate market was partly cleansed. The deflation could get even worse as our government fires up the subprime market for another round of rampant fraud which could extend defaults even beyond 2012. Then there is the deflation in the aftermath of hyperinflation. It is just too terrible to even contemplate where this whole thing could go.

In our last issue, we reported that trailing P/E ratios using GAAP principals for calculating earnings were really 761, not the reported 24 or so that was obtained without taking write-downs into account. With a trailing P/E ratio of 761, the stock markets would have little, if any, value. Again, it is too ugly to even contemplate. The next leg down in this bear market is going to be a killer.

The Illuminati are attempting to start back up where they left off when Meredith Whitney cut them off with her exposure of Citigroup's toxic waste, but this time it is the taxpayers who are at risk on account of continuing government bailouts of so-called too-big-to-fail legacy banks. To accomplish this recommencement of the subprime and other derivative fraud, they have their losses held at bay with bogus mark-to-model bond and derivative values while Buck-Busting Ben lends them interest-free money which they are parking with the Fed at interest, investing in treasuries, and/or pouring back into the stock and derivative markets. This is where all the green shoots are coming from, namely, from money created by printing press prestidigitation out of thin air by Bernanke that is being invested by Illuminist financial institutions instead of being loaned to consumers. The dollar volume in the stock markets far exceeds the money coming out of money markets, so dollar volume and stock prices are being greatly exaggerated as a result of all this profligate money and credit. This is yet another reason why the Fed stays silent about what institutions received all the money and credit that it has loaned out. That would enable canny investors to trace the stock market volume to its real source, being digital dollars provided by the Fed to keep the sucker's rally going. This rally mirage will come back to haunt anyone who stays in the stock market, other than owning gold and silver related shares.

Meanwhile, as all this transpires, in yet another parlor trick, Bernanke is exchanging dollars created out of thin air by the Fed for other fiat currencies also created out of thin air by

foreign central banks in various currency swap arrangements. This keeps foreign banks out of US credit markets whenever they need dollars to settle transactions, such as oil purchases and credit default swap settlements. These swapped dollars are also used by foreign central banks to purchase treasuries in order to support the dollar and US treasury bond values, which of course helps to maintain the value of their own existing dollar-denominated reserve assets in US treasury and agency paper. These swap arrangements are how the Fed is able to maintain the near zero interest rates in US credit markets which are crucial to Illuminist banking profits.

These swap arrangements are little more than smoke and mirrors economics. They have to keep swapping, or interest rates in US credit markets will rise, treasury values will plummet, and the Fed will be forced to monetize more treasuries to counteract these trends. These swaps swell the amount of dollars held by foreigners, which will come back to haunt us later when these foreigners implement big dollar bailouts and create a dollar carry trade. This flood of dollars back to our shores will be the atmosphere that leads to dollar devaluation. The repatriation of dollars from foreign central banks alone is more than enough to create hyperinflation, much less all the money and credit sloshing around in our national economy already as our government miscreants deficit-spend us into oblivion. The swaps are being used to sterilize dollars, delaying the inevitable so they can continue to milk the system as long as possible.

The Illuminati may well pull the plug on the stock and oil markets to chase money into dollars and treasuries to save those markets again, which are the seat of Illuminist power, and to help fund an FDIC bailout of what could be hundreds of billions from hundreds of bank failures that would be tallied up during the upcoming bank holiday where the small fry will once again be culled out so the big bankster-gangsters can eliminate the competition and acquire their accounts and assets for pennies on the dollar. The bank holiday would be used as the excuse for the PPT to withdraw its support from the stock markets, letting them crash under their own weight by virtue of countless negative fundamentals. Congress is going to grant authority for the issuance of \$500 billion in treasuries to fund the FDIC bailouts, and it is the Fed's hope that the flush of liquidity from the PPT's crashing of foreign and domestic stock and oil markets into dollars and treasuries will reduce the amount of those FDIC bailout bonds that the Fed will have to monetize. Precious metals will undoubtedly become beneficiaries of this flushing out as well. This will be the dollar and bond markets' last hurrah, and will pave the roads leading to devaluation of the dollar, and to the greatest bull market in gold and silver of all time. The next leg up will make up for all the big profits that have eluded newer investors in precious metals thus far. The best is yet to come. Buy your tickets now, and make sure that you're already on the train when it leaves the station!

Market In Review

The Challenger job cuts rose 31% to 97,373 month-on-month. This is the first rise in job cuts since January.

Can you imagine the federal government is asking Goldman Sachs about its compensation packages and credit derivative instruments? The government will do absolutely nothing, - Goldman controls our government.

Besides supplying foreign currencies via loans to friendly countries called swap facilities, the Fed is also using this front to buy Treasuries. The friendly countries are England, So. Korea, Singapore, Switzerland, Japan, Mexico, New Zealand, Canada, Australia, Denmark, Norway and Sweden.

The reason the Treasury reconfigured its figures on foreign central bank Treasury sales was to boost foreign participation in Treasury auctions. That allowed foreigners to show larger auction purchase numbers to cover up Fed purchases of US Treasuries. These swaps allowed a cover for the continued monetization via Treasury purchases and at the same time make it look like the foreigners were the buyers. This way they do not have to continue to use secret offshore accounts in the Caribbean. The actions could explain why the Japanese tried to smuggle US Treasury bearer bonds from Italy into Switzerland for sale before the dollar tanked. The US is in a box and they cannot get out. They have to print money and issue credit or deflation will take charge.

We are now seeing the result of such policies in the value of the dollar as it plummets downward. Obviously others have caught on to what the Fed is up too. If you throw all this monetization into perspective you have to realize it's hyperinflationary.

Then there is the \$2 trillion budget deficit, which could become much worse if Cap & Trade and Health Reform become law. That could guarantee double digit deficits as far as the eye can see, never mind what fiscal madness could be cooked up over the next 3-1/2 years. How would you feel if you were holding dollar denominated assets? In addition the administration's failed programs have to make you cringe. Instead of applying the stimulus package quickly most of it will occur next year, which was purely a political decision, which will prove to be a costly one for the overall economy. Put this together with the rampant corruption in wall Street and banking, the insider trading by Goldman Sachs and others aided and abetted by the New York Stock Exchange; tremendous political pressure to disband the Fed and a public that is finally catching on to what is really going on and you have a formula for disaster. We also shouldn't forget the enablers of the Wall Street-Government crime syndicate, the SEC and CFTC, which cover up all these illegal activities.

Every large dollar holder knows going in that it has been US policy for years to inflate its currency. They should have recognized this as a cost of doing business. This inflation in part allowed US consumers the ability to continue to buy massive amounts of foreign products. That meant that in time the dollar was doomed to fall in value. Eventually dollar holders will lose 2/3's of their dollar purchasing power via devaluation and default. As a result of these profligate US policies we hear rumors that secret deals have been made with creditors to keep them from dumping their dollar denominated assets. It is finally becoming clear to foreigners that today's American financial system is built on fraud benefiting a small group of elitists who control Wall Street, banking and our government. Then again foreigners are not without fault. Almost every one of them have manipulated their currencies and secretly and openly subsidized their industries. Thus, there is plenty of blame to go around.

Inflation has continued to recede worldwide as monetization is neutralized by the pull of deflation. We are frequently asked when is inflation going to start moving upward or where is hyperinflation? Be patient it is on the way. Our financial system, after two years of crisis, still is insolvent and will continue to need massive infusions of monetized capital. That will be especially true if the FASB changes their rules back to mark-to-market from mark-to-model. We are looking at budget deficits of over a trillion dollars or more as far as the eye

can see and we are looking at continued increasing unemployment. That means continued massive money and credit creation. Eventually that will bring the higher inflation and hyperinflation. As a result of this policy of throwing money at the problem the dollar is paying a price. It was but two months ago that we recommended the sale of the dollar and the assumption of short positions at 89.5 on the USDX. As we write that index is at 77.60. We believe it is headed toward 71.18, its former low by the end of October. We projected all this in mid-May some three months ago. We at that time moved based on fundamentals and in June we found the elitists at the Bilderberg Meeting in Greece decided that the dollar could no longer be defended at then present levels.

America is still a great importer of goods and the increase in the cost of goods purchased is a very strong stimulus for price inflation. That T-shirt from China that once cost \$1.00 would rise to \$1.50 and soon. The idea for the elitists is to hold the dollar decline at 71.18. At first they'll be successful, but in time that level will be broken and the dollar will fall to 40 or 50. It could take six months or three years dependent on what transpires. The anecdote is gold as it has been for centuries. Gold is wealth preservation that preserves assets whether we have inflation or deflation.

Some governments will continue to create money and credit, such as the US and England. Some may decide to bite the bullet now, as we believe the eurozone may now be doing. The ECB has dropped M4 from 12.8% to 4.7% over the last two years, which could well be an indication they have decided to enter deflationary depression - we will see.

A lower dollar 15 years ago would have been helpful for exports, but in today's environment a 71.18 USDX dollar would only add $\frac{1}{2}$ of 1% to GDP.

Few talk about it but chances are excellent that in September and October that the stock market could take a heavy hit, falling quickly and deeply back to 6600 on the Dow. De-leveraging has a piece to go with banks still at 40 or 50 times deposits. Eight to ten times is normal. This recent bear market rally is very similar to the 1930 rally, which ended percentage-wise just about where we are presently. Unemployment is rising and that means earnings cannot maintain. Who will they sell too? Get out your parachutes; it is time to jump.

On Thursday, there was a rumor on Wall Street repeated by CNBC that the Labor Department would adjust unemployment from January thru July by 500,000 to 1 million additional lost jobs. This wouldn't be surprising considering Washington lies about everything. If this is true the market will be seriously affected.

Goldman Sachs made \$100 million in trading revenue, a company record 46 separate days in the second quarter. You can only achieve this on inside information. In the second quarter they only had two losing trading days. As a former trader for 25 years and official member of the Los Angeles Traders, I find that totally impossible without inside information. They made \$50 million a day. These people are criminals, especially for what they have done to the gold and silver markets.

Commercial paper expanded last week up \$10.7 billion to \$1,076 trillion. Asset backed paper fell \$3 billion after being up \$900 million the prior week, to a total of \$434.8. Unsecured financial issuance fell \$400 million after falling \$26.6 billion the previous week.

CEO Index, the only one of its kind, fell to 63 in July. The overall confidence was 75.7 in May.

88.8% rated current conditions as bad, up from 86.3% in June and 81.6% in May.

The employment confidence index fell 25% with 57% of CEO's expecting a continued decrease in employment in the next quarter. More than 95% rated the rate of current employment environment as bad, the highest level for 2009. 0.4% thought they were good.

Thirty-nine percent expect capital spending to drop and the consensus was we are treading water. They thought the government is only delaying the inevitable. 33% believe the worst is yet to come. They think the President's healthcare reform if approved would have a devastating effect on the economy. Cap & trade if passed would be equally devastating.

Rumors reach us that a major investment house will put out a call to get its clients out of the ETFs due to anticipated accounting issues. Could it be that GLD and SLV will be exposed as Enron-type frauds?

The continuing saga of Pat Kiley

In the ongoing saga of Pat Kiley we do not know if any money will be rescued, but we figure about \$190 to \$200 million disappeared. As you know we heard rumors that large amounts of cash were dispersed worldwide to Zurich, Scandinavia, Greece, London and Panama. We hope the FBI is about to move on this unfortunate scandal.

The number of U.S. workers filing new claims for state jobless benefits fell last week, providing another glimmer of hope that the economy may be on the road to recovery.

Initial claims for jobless benefits fell by 38,000 to 550,000 on a seasonally adjusted basis in the week ended Aug. 1, the Labor Department said in its weekly report Thursday. The four-week average of new claims, which aims to smooth volatility in the data, fell by 4,750 to 555,250, the lowest level since Jan. 24.

The tally of continuing claims — those drawn by workers for more than one week — rose by 69,000 during the week ended July 25 to 6,310,000, the highest level since July 4.

For months, issuers have raised credit card rates and fees at a dizzying pace. Now, a growing number are starting to tack on new card fees for inactivity or purchases made outside the U.S.

In June, Fifth Third Bank began charging a \$19 fee if credit card borrowers have no account activity in 12 months. Discover now levies a 2% fee on purchases made outside the U.S., and Chase has introduced a \$30 annual fee on its popular Freedom credit card.

Citigroup, meanwhile, has rolled out a policy where certain credit card borrowers who pay late are subject to a "reinstatement fee" to be able to redeem accumulated points for rewards. This fee is currently \$0. But it won't stay that way, predicts Robert Hammer, who consults with the industry, if Citigroup finds cardholders aren't objecting to the policy. Citigroup spokesman Samuel Wang says, "We currently have no plans to raise it."

The fees represent issuers' latest attempt to mitigate the effects of a credit card law passed in May, which restricts rate increases and marketing to college students. Analysts say that because most provisions don't take effect until February 2010, issuers are finding ways now to bolster their income despite consumers' precarious financial situations.

Issuers are “hoping to slip in fees where they’re least likely to be noticed,” says Adam Jusko, founder of IndexCreditCards.com, a card comparison site.

[Mortgage rates](#) in the U.S. fell for the first time in three weeks, boosting the potential for further stabilization in the housing market.

The average 30-year rate dropped to 5.22 percent from 5.25 percent, mortgage buyer [Freddie Mac](#) of McLean, Virginia, said today in a statement. The 15-year rate averaged 4.63 percent for the week ending today.

Lower rates may increase demand for homes in the fourth year of the housing recession. [New](#) and [existing-home](#) sales rose in June as falling prices and a government tax credit lured buyers. The S&P/Case-Shiller home price index rose 0.5 percent in May from the prior month, the first gain since July 2006.

“If you’re a homebuyer and you’re employed, you can’t complain,” said [Donald Rissmiller](#), chief economist at New York- based Strategas Research Partners. “Policy makers have to consider this a success.”

Federal Reserve Chairman [Ben S. Bernanke](#) is trying to lower loan costs with a program to purchase securities backed by mortgages. The central bank’s purchases brought down yields on government debt and mortgage-backed bonds issued by [Fannie Mae](#), [Freddie Mac](#) and Ginnie Mae, allowing lenders to reduce rates on new loans and still sell the securities at a profit.

The Federal Reserve’s \$1.25 trillion plan for buying mortgage-backed securities helped drive rates to a record low 4.78 percent twice in April. Falling rates helped boost [refinancing](#) and [purchase](#) applications for home loans.

Rates started climbing in May along with [Treasury yields](#) on investor concern that higher government debt would fuel inflation. The 10-year Treasury note rose to 3.75 percent today from 3.61 percent last week.

The pace of U.S. job losses slowed more than forecast last month and the unemployment rate dropped for the first time since April 2008, the clearest signs yet that the worst recession since the Great Depression is easing.

Payrolls fell by 247,000, after a 443,000 loss in June, the Labor Department said today in Washington. The [jobless rate](#) dropped to 9.4 percent from 9.5 percent.

Fannie Mae plans to tap \$11 billion in new government aid after posting another massive quarterly loss as the taxpayer bill from the housing market bust keeps growing.

The mounting price tag for the rescue of Fannie and its government-sponsored sibling, Freddie Mac, is surpassed only by insurer American International Group Inc., which has received \$182.5 billion in financial support from the government so far.

Fannie Mae's new request for \$10.7 billion from the Treasury Department will bring the total for Fannie and Freddie to nearly \$96 billion. Freddie is expected to report its quarterly results on Friday.

The government has pledged up to \$400 billion in aid for the two companies, which play a vital role in the mortgage market by purchasing loans from banks and selling them to investors. They have been under government control since last September, when their near-collapse helped set off the financial crisis.

Together, Washington-based Fannie and McLean, Va.-based Freddie own or guarantee almost 31 million home loans worth about \$5.4 trillion. That's about half of all U.S. home mortgages.

With assets of that size, "it's hard for their problems to be small," said Karen Shaw Petrou, managing partner at Federal Financial Analytics, a consulting firm that advises financial institutions.

Fannie Mae posted a second-quarter loss of \$15.2 billion, or \$2.67 per share, including \$411 million in dividend payouts. That compares with a loss of \$2.6 billion, or \$2.54 per share, in the year-ago period.

"We are dependent on the continued support of Treasury in order to continue operating our business," Fannie Mae said in a Securities and Exchange Commission filing late Thursday.

The results were driven by \$18.8 billion in credit losses due to declining housing market conditions, made worse by rising unemployment. Nearly 4 percent of the loans Fannie Mae owns or guarantees were delinquent as of June 30, up from 1.4 percent a year earlier.

The two companies lowered their standards for borrowers during the real estate boom and are reeling from the bust. High-risk loans, now defaulting at a record pace, have come back to haunt the companies. Worse still, the recession is causing formerly reliable homeowners with good credit to default.

The Obama administration is expected to unveil its plans for Fannie and Freddie early next year. Options being considered include keeping the companies private, winding down their operations, merging them into a federal agency or separating out their bad mortgage assets into a new company backed by the government.

Meanwhile, the head of the federal agency that regulates Fannie and Freddie Mac, James Lockhart, is stepping down at the end of the month. Edward DeMarco, chief operating officer of the Federal Housing Finance Agency, was named acting director on Thursday.

DeMarco, 49, has worked at the agency since October 2006. Before that, he worked at the Social Security Administration and the Treasury Department.

Joseph Stiglitz and Linda J. Bilmes — 7/07/2009

Last week the U.S. “stood down” in Iraq, finalizing the pullout of 140,000 troops from Iraqi cities and towns — the first step on the long path home. After more than six years, most Americans are war-weary, even though a smaller percentage of us have been involved in the actual fighting than in any major conflict in U.S. history.

But not so fast. The conflict that began in 2003 is far from over for us, and the next chapter — confronting a Taliban that reasserted itself in Afghanistan while the U.S. was sidetracked in Iraq — will be expensive and bloody. The death toll for U.S. troops in Iraq and Afghanistan reached 5,000 in June. An additional 80,000 Americans have been wounded or injured since the war in Iraq began. More than 300,000 of our troops have required medical treatment, and Army statistics show that more than 17 percent of our returning soldiers suffer from post-traumatic stress disorder.

Meanwhile, in Iraq, even though most of the population has long told pollsters they can't wait for U.S. forces to leave, U.S. officials have said we are likely to station 50,000 troops at military bases in the country for the foreseeable future. This is because the situation in Iraq is highly precarious.

Moreover, the U.S. barely has begun to face the enormous financial bill for the war. By our accounting, the U.S. has already spent \$1 trillion on operations and related defense spending, with more to come — and it will cost perhaps \$2 trillion more to repay the war debt, replenish military equipment and provide care and treatment for U.S. veterans back home. Many of the wounded will require indefinite care for brain and spinal injuries. Disability payments are ramping up and will grow higher for decades. The stress of extended, multiple tours to Iraq means that a whole generation of U.S. military men and women may now be suffering from long-term mental health issues. The suicide rate in the Army is at its highest level since record-keeping began.

This wartime spending undoubtedly has been a major contributor to our present economic collapse. The U.S. has waged an expensive war as if it required little or no economic sacrifice, funding the conflict by massive borrowing. As we've observed in the past, you can't spend \$3 trillion on a reckless foreign war and not feel the pain at home.

Burned by the difficulties in Iraq, our political leaders have no illusions about the length and difficulty of the challenge facing us in Afghanistan. But in other respects we seem set to repeat the same mistakes that we made in Iraq. The president has just signed yet another “emergency” supplemental appropriations measure (\$80 billion) to fund continuing operations in Iraq and expansion into Afghanistan. This means that for the 30th time since 2001, war spending has been rushed through the budget process without serious scrutiny.

Obstacles continue to beset returning veterans too. Despite an increase in the Department of Veterans Affairs budget, the backlog of disability claims has reached its highest level.

Early this year, President Barack Obama committed 20,000 troops to a “surge” in Afghanistan. That, combined with a large, ongoing presence in Iraq and continued reliance on private contractors for virtually every aspect of military support, remains a recipe for staggering out-of-control expenditures. Surely we can draw some lessons from the Iraq debacle and set aside money to care for our veterans, crack down on fraud and profiteering, and account for the true costs of the war in the budget so the American taxpayer can see what we are paying for.

Linda J. Bilmes of Harvard University is a former assistant secretary of Commerce. Joseph Stiglitz of Columbia University is a winner of the Nobel Prize in economics and a former chairman of the Council of Economic Advisors. They are the co-authors of “The Three Trillion Dollar War: The True Cost of the Iraq Conflict.”

Former congressman William J. Jefferson was convicted of corruption charges Wednesday in a case made famous by the \$90,000 in bribe money stuffed into his freezer and a legal battle over the raid of his Washington office that reached the highest levels of the U.S. government.

Federal jurors found the Louisiana Democrat guilty of using his congressional office as a criminal enterprise to enrich himself, soliciting and accepting hundreds of thousands of dollars in bribes to support his business ventures in Africa. The eight-woman, four-man jury convicted Jefferson of 11 of 16 counts that included solicitation of bribery, racketeering and money laundering.

Bloomberg reports the reason for RDN’s better earnings: Radian’s results improved as other mortgage insurers, pressured by higher default rates, reported losses. The insurers pay lenders when homeowners default and when foreclosure doesn’t recoup costs. Radian has rescinded, or rejected, a growing number of claims on grounds that false information voids coverage.

“Our recent denial and recisions are much higher than historical levels, reflecting our loss management efforts to review more claims and the significant concentration of loans in our delinquency portfolio” originated in 2006, 2007 and early 2008, Chief Financial Officer Robert Quint said today in a conference call. Radian’s provision for mortgage insurance losses was \$142.8 million, compared with \$449.2 million in the same period last year. The insurer paid \$167.7 million in mortgage insurance claims in the second quarter, compared with \$208.8 million in the year-earlier period. The insurer said it expects to pay between \$275 million to \$300 million in first- and second-lien claims in the third quarter.

The Obama administration launched a broad government effort this week to overhaul

mortgage giants Fannie Mae and Freddie Mac and is considering splitting the companies and putting their troubled assets in a new federally backed corporation, administration officials said.

The move would dispense with one of the biggest burdens created by the financial crisis: the hundreds of billions of dollars in money-losing home loans owned by District-based Fannie Mae and Freddie Mac.

The government has already pledged nearly \$2 trillion, including \$85 billion in direct aid, to keep the mortgage market working through the firms.

Goldman Sachs Group Inc. made more than \$100 million in trading revenue on a record 46 separate days during the second quarter, or 71 percent of the time, breaking the previous high of 34 days in the prior three months.

Trading losses occurred on two days during April, May and June, down from eight in the first quarter, the New York-based bank said today in a filing with the U.S. Securities and Exchange Commission. The company made at least \$50 million on 58 of the 65 trading days in the period, or 89 percent of the time.

Only five percent say the president's policies have cut the deficit, and 10% say they have had no impact. Thirteen percent(13%) are not sure.

The Institute for Supply Management's index of non- manufacturing businesses, which make up almost 90 percent of the economy, fell to 46.4 from 47 in June, according to the Tempe, Arizona-based group. Fifty is the dividing line between expansion and contraction. ADP Employer Services said companies cut staff last month more than economists anticipated.

The U.S. Securities and Exchange Commission's move to ban so-called flash orders may help NYSE Euronext take back market share of U.S. stock trading at the expense of three-year-old rival Direct Edge Holdings LLC.

Senator Charles Schumer said yesterday the SEC will seek to stop the practice in which some brokers get a split-second advantage in viewing requests to buy and sell stock, after discussing the issue with Chairman Mary Schapiro. NYSE Euronext, the only one of the top four U.S. exchanges that doesn't use flash orders, has seen its portion of the nation's share trading slip to 30.3 percent in the second quarter from 35.5 percent a year earlier, while Direct Edge's doubled since November.

“

The big existing exchanges are going to be benefiting because the pendulum is swinging back in that direction in the area of transparency,” said Thomas Caldwell, who manages about \$1 billion, including NYSE shares, as chairman of Caldwell Financial Ltd. and president of Urbana Corp. in Toronto.

Flash orders grew to 2.4 percent of the shares traded in the U.S. in June, three years after the practice began as a way of increasing the odds an order would be filled, according to

data compiled by New York brokerage Rosenblatt Securities Inc. Schumer said the delay in routing transactions to other exchanges makes it easier for brokerages with the fastest computers to get an edge calculating demand for a stock.

MBA Mortgage Applications up 4.4% last week.

The pace of layoffs may be easing. Private-sector jobs in the U.S. fell 371,000 in July, according to a national employment report published Wednesday by payroll giant Automatic Data Processing Inc. (ADP) and consultancy Macroeconomic Advisers.

The expected loss compares with the 350,000 drop in the ADP survey projected by economists in a Dow Jones Newswires survey. ADP revised its June job loss figure to 463,000, down from 473,000 first reported.

The ADP survey tallies only private-sector jobs, while the Bureau of Labor Statistics' non-farm payroll data, to be released Friday, includes government workers. Economists surveyed by Dow Jones Newswires expect the Bureau of Labor Statistics will report July job cuts totaling only 275,000, about half the loss of 467,000 reported in June. The July unemployment rate is projected to rise to 9.7% from 9.5% in June.

Economists think that economic output may have stopped contracting in the second quarter, but any turnaround in the labor markets is still months away.

Joel Prakken, chairman of Macroeconomic Advisers, noted that the decline was the smallest since October 2008, but added, "Despite recent indications that overall economic activity is stabilizing, employment, which usually trails overall economic activity, is likely to decline for at least several more months, albeit at a diminishing rate."

The latest ADP report showed large businesses with 500 employees or more shed 74,000 jobs and medium-size businesses lost 159,000 workers last month. Small businesses that employ fewer than 50 workers cut 138,000 jobs in July.

Chris Varvares, president of Macroeconomic, noted that job losses are easing in major industries. Service-sector jobs fell 202,000 in July, less than the 225,000 average in the previous three months. Factory employment dropped 99,000 in July, compared with the 150,000 average in the prior three months.

Varvares said payrolls are unlikely to turn up until early 2010. Macroeconomic forecasts the unemployment rate to peak at 9.9% in the fourth quarter of 2009, with the rate possibly rising above 10% for one month or two.

ADP, of Roseland, N.J., says it processes payments of one in six U.S. workers, while Macroeconomic Advisers, based in St. Louis, is an economic consulting firm.

In another Wednesday job report, TrimTabs Investment Research estimated that job losses accelerated last month, with 488,000 workers laid off in July, worse than the ADP estimate. TrimTabs uses daily income-tax withholdings to the U.S. Treasury to estimate changes in employment.

"While Wall Street is convinced the recession is over, the economy continues to shed jobs at an alarming rate," said Charles Biderman, chief executive of TrimTabs.

Also on Wednesday, outplacement firm Challenger Gray & Christmas said that the number

of layoffs announced by U.S. companies jumped 31% in July to 97,373. Challenger said that so far this year, employers have announced 994,048 job cuts, 72% more than the 579,260 announced in the first seven months of 2008.

Saudi Prince Bandar bin Sultan, the kingdom's former ambassador to the United States, is reportedly under house arrest over a conspiracy against the monarch.

Saad al-Faqih, head of the opposition group Islamic Reform Movement, told Arab-language TV al-Alam that Prince Bandar has been disappeared and the media has published no word from the ex-diplomat's whereabouts since nearly three months ago.

According to al-Faqih, the prince first disappeared in Britain but he returned to the kingdom shortly afterwards.

He added that after Saudi officials discovered that he had provoked 200 agents working for the Saudi security service to stage a coup against King Abdullah, he was put under house arrest.

Al-Faqih said people close to the king had disclosed Bandar's plots and foiled them.]

He said Saudi sources believe that intelligence provided by some Arab countries help the Saudi monarch foil Prince Bandar's conspiracy.

Power struggle between members of the Saudi royal family has been common as power is shared among some 200 princes out of the estimated 7000 family members.

Known as Bandar Bush because of his close relations with former US President George W Bush, the prince is son of Crown Prince Sultan bin Abdul Aziz.

75% of Americans and at least 276 Congress members and 19 Senators want to audit the Fed, but the Fed is fighting tooth and nail to keep everything hidden.

Most people assume that the Fed wants to keep secret the list of banks which received bailout money. You know, something along the lines of "we gave Goldman Sachs \$100 billion".

But what the Fed is *really* struggling to keep hidden is the fact that the entire financial system is based on massive manipulation and fraud by the Fed and its primary dealers.

Specifically, the Fed is desperately trying to hide that many trillions of the government's bailouts have gone to inflating the stock market, buying up the U.S. government's own treasuries, and gaming the currency and gold markets.

Of course, when the New York Federal Reserve's "primary dealers" (the dealers through which the Fed carries out its open market operations in general, and its PPT, ESF, and other schemes through) get the huge sums of cash from the Fed, they place bets based on inside knowledge of where the money flows are going (they also, supposedly, skim off part of the cash, but that's for another essay).

In other words, the Fed's primary dealers engage in insider trading and front-running on a scale which would make your normal white collar felons look like a silver nanoparticle.

Finally, the Fed is not the only central bank engaging in manipulation. An audit would show how the Fed is playing footsie with other private central banks in an international con game.

Don't believe me? Show me the books and prove me wrong.

The California dream has faded since the 1970s for many in the Golden State, according to a new Field Poll.

Just 41 percent of registered voters agree the state is "one of the best places to live," a sharp drop from the 76 percent who thought so 30 years ago when Field first asked that question.

The survey, released yesterday, found that Republicans were the most likely to have lost that lovin' feeling about their state.

Just 30 percent of GOP respondents said that California remained a great place to live, compared with 80 percent in 1977.

The decades after that year brought dramatic growth in the state's population, from 22.8 million in 1978 to the latest estimate of 38.3 million people, a 68 percent increase.

The Field Poll report compared Californians' attitudes on a range of social and lifestyle issues over the last 30 years.

Findings were based on Field Polls taken from 1975 to 1978 and from 2006 to 2009.

Among the biggest changes found in attitude was the increasing support for gay marriage, now favored by 49 percent of Californians and opposed by 44 percent.

In 1977, voters were opposed by a 62-to-31 ratio.

President [Barack Obama](#)'s approval rating is falling on concern unemployment is rising and the budget deficit will grow, a Quinnipiac University poll shows.

Exactly half of the registered voters surveyed from July 27 to Aug. 3 by [Quinnipiac](#) said they approve of the job Obama is doing, compared with 42 percent who disapprove. That's down from 57 percent approval and 33 percent disapproval in a poll taken in late June, according to results released today.

The poll found that voters disapprove of the way Obama is handling the economy by 49 percent to 45 percent. On his effort to overhaul of the health-care system, 52 percent disapprove of his handling of the issue while 39 percent approve.

Only foreign policy offered a bright spot: 52 percent of poll respondents approved of his job on this front, compared with 38 percent who disapproved.

Quinnipiac took the poll in the middle of a controversy over Obama's remarks about the arrest of Harvard University scholar [Henry Louis Gates Jr.](#) Gates, who is black, was arrested on a disorderly conduct charge after a confrontation at his home in Cambridge, Massachusetts, with a white police officer.

Obama, asked about the incident during a July 22 news conference, said police "acted stupidly" in making the arrest. In the poll, voters by 49 percent to 33 percent said Obama acted "stupidly" when he waded into the matter. Even so, 55 percent said they approved of the way Obama is handling race relations.

The poll surveyed 2,409 registered voters nationwide and has a margin of error of plus or minus 2 percentage points.

Maurice "Hank" Greenberg, who led [American International Group Inc.](#) for 38 years until his ouster amid state and federal accounting probes in 2005, will pay \$15 million to settle US claims he manipulated the insurer's earnings.

Greenberg, 84, and former AIG chief financial officer Howard Smith "directed several different accounting transactions to materially affect AIG's reported financial results," the Securities and Exchange Commission said in a lawsuit filed yesterday in federal court in Manhattan. Smith will pay \$1.5 million to resolve the suit. [Another giant fraud, no jail time, and a penalty that is ridiculously low. As you know Greenberg is a guiding light of the Council on Foreign Relations, and an Illuminist. This is how the system works.]

Transaction prices of commercial property sold by major institutional investors fell by 18 percent in the second quarter of 2009, according to an index developed and published by the MIT Center for Real Estate (MIT/CRE).

The 18.1 percent drop in the transactions-based index (TBI) for the second quarter is by far the biggest quarterly decline in the gauge's 25-year history. (The second-biggest down quarter was the fourth quarter of last year, at -10.6 percent.) This was the fifth consecutive quarterly drop and the seventh in the past eight quarters. The index is now down 22 percent year-to-date, down 32 percent from where it was a year ago and down 39 percent from its mid-2007 peak — far greater in nominal terms than the 27 percent drop the index experienced in the previous major commercial property downturn in the late 1980s and

early 1990s (the two drops are now tied in real terms, net of inflation, at 41 percent), and substantially greater than the current drop in national housing prices (about 30 percent).

“The big news this quarter is not just the magnitude of the drop, but the fact that transaction volume actually increased in the presence of this decline, the first volume increase since last summer,” said Professor David Geltner, director of research at MIT/CRE. “Perhaps most important, the supply-side index of the prices property owners are willing to sell at plunged a record 18.5 percent, suggesting a degree of ‘capitulation’ which may help to bring market prices finally to a bottom; this is the kind of thing that could begin to rebuild liquidity in the market.”

MIT/CRE publishes not only the price index based on closed deals, but also compiles indices that separately gauge movements on the demand side and the supply side of the market that it tracks. The demand-side index tracks the changes in prices that potential buyers are willing to pay (sometimes called a “constant-liquidity” index of the market, because it tracks how much prices would have to change to keep a constant ability to sell as many properties at the same rate of trading volume). That index has now fallen steadily for all of the past eight quarters. It fell again in the second quarter, almost in lock-step with the supply-side index, bringing the demand index now to a level 48 percent below its mid-2007 peak.

“As is generally the case, the results posted by our index are corroborated by recent evidence from another commercial property price index whose methodology was developed at the MIT/CRE: the Moody’s/REAL Commercial Property Price Index, produced by Moody’s Investors Service,” said MIT/CRE Research Technician Holly Horrigan. “The Moody’s/REAL report released by Moody’s on July 20 indicated that index dropped 16 percent during April and May alone, which by May put it already down 22 percent year-to-date and 35 percent below its 2007 peak,” Horrigan noted. The TBI tracks the prices that institutions such as pension funds pay or receive when transacting commercial properties like shopping centers, apartment complexes and office towers. The MIT Center’s TBI is based on prices of National Council of Real Estate Investment Fiduciaries (NCREIF) properties sold each quarter from the property database that underlies the NCREIF Property Index (NPI), and also makes use of the appraisal information for all of the currently 6,000 NCREIF properties. Such an index — national, quarterly, transaction-based and by property type — had not been previously constructed prior to MIT’s development of it in 2006. NCREIF supported development of the index as a useful tool for research and decision-making in the industry.

Monster Worldwide Inc., an online careers and recruiting firm, said its employment index edged down three points in July to 114 from 117 in June. The current month’s reading is 27 percent below the 157 mark seen a year ago.

On Thursday, JP Morgan again saved the stock market after disappointing retail sales data. CBOT sources say JPM bought about 1000 SPUs after the opening collapse. Then JPM bought 1k after noon and continued its SPU buying through the close. They had to have known the unemployment numbers. They must have been passed to them by Treasury or the BLS.

There is no second foreclosure wave coming, says Sam Khater, senior economist, First American CoreLogic. "To say there is a second wave implies the (current) wave has receded," Khater told me. "I don't see that the wave has receded."

If you look at the 90-day rate it has been heading straight up — it has not receded...the foreclosure rate and REO rates have been impacted by government tinkering in the market. He said federal and state efforts have mostly delayed foreclosures, preventing few. The same is true for loan modifications — they fail about half the time.

Obama's biggest obstacle is the 68% of voters who rate their health coverage as good or excellent.

If Obama believes a 31-year old with no auto or significant business experience can be the czar of GM, who will be appointed health care czar? Perhaps to reward rabid Hollywood support a cast member of "Grey's Anatomy" can run the US health care system.

A new CNN poll shows: After 6 Months, More View Obama's Presidency as a 'Failure' than Bush's.

The biggest U.S. television networks are posting declines of 15 percent or more in advertising commitments for the prime-time season starting next month, based on results at CBS and NBC.

So-called upfront sales at General Electric Co.'s NBC will fall 15 percent to 20 percent, a person with knowledge of the matter said yesterday. Sales were \$1.9 billion last year, a person familiar said then. CBS Corp. will collect about \$2.1 billion, down from an estimated \$2.5 billion, according to Michael Morris, an analyst at UBS AG.

"We've been the strongest player in these very protracted negotiations," CBS Chief Executive Officer Leslie Moonves said on a conference call yesterday. "We're very pleased with how things have progressed."

Networks are holding more inventory, betting advertisers will pay a higher price as the economy improves. New York-based CBS, the most-watched network among all viewers, is almost done and will pre-sell about 65 percent of its available ad time, compared with 75 percent to 80 percent last year, Moonves said. NBC will be selling 70 percent of its inventory, down from 80 percent, according to the person.

Small businesses that received \$682 million in IOUs from the state say California expects them to pay taxes on the worthless scraps of paper, but refuses to accept its own IOUs to pay debts or taxes. The vendors' federal class action claims the state is trying to balance its budget on their backs. Lead plaintiff Nancy Baird filled her contract with California to provide embroidered polo shirts to a youth camp run by the National Guard, but never was paid the \$27,000 she was owed. She says California "paid" her with an IOU that two banks refused to accept - yet she had to pay California sales tax on the so-called "sale" of the uniforms. The class consists mostly of small business owners, many of whom rely on income from government contracts to keep afloat. They say California has used them as

“suckers” as it looks for a way to bankroll its operations while avoiding its own financial obligations. “Instead of seeking funds through proper channels, the State has created a nightmare,” the class says. “Many of these businesses will not survive if they are required to wait until October 2009 to have these forced IOUs redeemed by the State.” The class claims the state is violating the Fifth and Fourteenth Amendments. It demands that California be ordered to honor its own IOUs, plus interest. They are represented by William Audet.

Bank of America announced its intention to extend “quantitative easing” by another 40% from \$200 billion to \$280 billion. We call that insolvency.

There is a rumor that Goldman Sachs will kick back 10% of profits so Congress won’t investigate them.

On Friday on CNBC Rick Santelli made the comment, “When markets traded freely.”

The Battle Dry Index, which tracks transportation costs on international trade routes fell 135 points or 4.6%, to 1,772 points on Friday for a weekly loss of 175.

Retail sales are off 6%; consumer spending is less than 70% of GDP; personal income is the lowest in years and continues to fall; 24% of homeowners are under the water on their mortgages and U6 unemployment is 20.8%.

July average hourly earnings fell 0.2% and the average weekly hours were 33.1.

Since December 2007 officially 6.7 million jobs have been lost.

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