Financial Crimes on Wall Street and the Debt Crisis

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Crime on Wall Street, in banking and in corporate America pays. One just neither admits or denies and lets the corporate shareholders pay the fines. These are today's untouchable, who steal billions and get away with it. Financial institutions are too big to fail, as are their key employees.

To a great extent fraud and other criminal behavior caused the credit crisis and lack of recovery that we have witnessed over the last 5 years. We have had top officers of firms see their companies headed for trouble and with this inside knowledge they have cashed out their share holdings. Then there were the predatory lenders, syndicators of bonds, which contained mortgages, now known as toxic waste, that were criminally given AAA ratings when they deserved BBB. We had some 1,000 corporate officers who backdated their options. Only one was criminally prosecuted when they all should have been.

Prosecutions have come few and for between, because the SEC, CFTC and the Justice Department aid and abet these crooks in order to keep harmony in the system, which is coming unglued. They have always done this, but over the past 5 years even the uneducated can see what has and is taking place. In fact the more outrageous the crime, the less it is liable to be pursued. This non-pursuit of crime needless to say encourages more crime and further damages overall corporate and financial sectors. There is no accountability and we see none in the future. Let there be no mistake this financial crisis is worse than the last depression. This continuing degenerative process can only assist in a further degeneration of the system.

A bill has been introduced by Senator Carl Levin, chairman of the permanent subcommittee on investigations, that would change IRS regulations that allow American traders of credit default swaps to avoid paying federal taxes on transactions initiated in the US. It would tighten rules that enable some hedge funds and US corporations to reduce federal tax liabilities by declaring themselves foreign companies and moving a small part of their operations overseas. It would require companies to provide the SEC and the public, with a country-by-country breakdown of their sales, employment and operations.

Senator Levin says that abuse of offshore havens cost American taxpayers $100 billion a year. Presently American transnational conglomerates have more than $2 trillion stashed offshore waiting for another tax break like the one five years ago that allowed them to bring $350 billion home at 5-1/4% instead of regular taxation of 35%. That works out to about $600 billion lost to the Treasury. Gains from traders would be $20 billion over ten years. The removal of these tax breaks would certainly help cut the budget deficit.

The crisis in Greece is finally causing contagion in Italy. The crisis of all six near bankrupt euro nations is upon us and it is permanent. Moody's just downgraded Ireland again, at the worst possible time. Spain, which is in terrible shape, will soon follow. The EU members and their controllers, the banks, keep trying to put band-aids on their festering problem. Sooner or later they will have to face the music and that is those six nations will all have to go bankrupt along with the banks. All of you subscribers in the EU and UK get your funds out of the bank, now, and into gold and silver coins. If you don't you may end up with nothing. If this goes on long enough it will take the presently solvent nations down as well.

The European Union and the euro zone were ill conceived and bound to failure. After having lived in Europe for years, and being able to speak several of their languages, you get to understand people and the way they think. Both entities were anthropologically unnatural. Europe is still tribal. Just look at countries like Germany, France and Belgium where people speak different variations of the same language. In Belgium they speak two distinct languages. The EU's major flaw was sovereign countries ran their own fiscal policies, as bureaucrats ran the EU. You have to either federalize all the way or forget it. The euro zone foisted one interest rate fits all, all on countries that should have never had the same interest rates as say Germany. We talked about both these issues 14 years ago, but as usual, no one was listening. From the very beginning the EU and the euro zone were doomed. Both are going to now begin the process of disintegration, as both are a failure. The six countries will go bankrupt, as will the banks. That will dislodge England and push it into bankruptcy and that in turn will force the US to follow. That may be the catalyst that forces a meeting of all nations to revalue, devalue and multilaterally default, hopefully such a meeting will occur long before this stage is reached. There is no question now that the game is over. The question now is when?

Workers have become a form of inventory just like widgets. For years now companies have laid off and rehired workers at will, keeping the expensive worker participation to a minimum. If you use total figures and include discouraged workers the unemployed are 20.6 million, up 483,000 in June. We do not see stimulus 3 coming from Congress, so we expect unemployment to resume its relentless rise upward from 22.6%. Mind you unemployment reflects $1.7 trillion in stimulus 1 and 2, and QE 1 and QE 2, which takes us well over 44 trillion. All those injections did was to bail out the financial sector and government. As we know our President tells us the administration created three million jobs, at a cost of $266,000 per job. That is hardly something to write home about. Corporate America is in excellent financial shape, but they will be slow to hire until they see a firm recovery in place. Sure GE made $17 million, because they did not pay taxes as we do, but they won't rush out to hire unless the reason to hire exists. The real opportunity to hire has to be with small business that hires 70% of Americans. They do not enjoy the tax-free status of GE. Most of these small companies are barely hanging on. These are the companies that banks won't loan too. Half of them are still experiencing falling profits, only 20% are doing well.

Year-on-year in the municipal sector 450,000 workers are going to lose their jobs, because many of these entities are close to broke. They and the states want more money from the federal government, which it doesn't have to give. Large, very profitable businesses generally create very few jobs. They and mid-sized companies are buying more and more labor saving equipment, or they are moving production offshore. For the last three years most of the new jobs paid subsistence wages. Those are $8.00 to $11.00 an hour jobs, which are really part-time providing a 34.3-hour week, as inflation roars ahead up 10.6% and headed up to 14% by yearend. The average duration of unemployment is at an all-time high and 44% unemployed have been out work six months or more, at an all-time high.

We had a gentlemen call in on one of our programs, he has a masters and had been out of work for four years. He went to a company and told management he would work for nothing in order to learn to operate a forklift. After training he got a job doing that work at a plumbing company. He has the distinction of beating out 26 other applicants. He has been told in 1-1/2 years they will be an opening for him in accounting, his major. This is the state of America today, as our transnational conglomerates ship our jobs out of the country every day.

We figure a debt extension bill is on the way, but it will only cut $150 to $200 billion a year in government spending, hardly an accomplishment. If the Fed does not inject $850 billion into the economy we are looking at a minus 3% to 5% in GDP. That is in addition to buying $1.7 trillion in treasuries and other associated toxic waste.

The newest recession began a few months ago, or should we say downturn in an inflationary depression. There will be no recovery this year or next without $850 billion additional being thrown into the economy. No 3.5% growth. Perhaps a minus 4% if we are lucky. That should put unemployment close to 25% by 2012. After the news comes out that the term debt deal has been done the stock market will begin to slip downward.

As this transpires we see a million more foreclosures and more the following year. In order for the economy to revive housing it has to revive and we see absolutely no chance of that happening over the next two years. As the Fed supplies buckets of money and credit inflation will scream upward. 25% to 30% is already in the pipeline for next year via QE and Stimulus 2. There is no way that can be stopped. That will be added to by the results of QE 3 in 2013. We wish it won't be this way, but it is.

There has been an inevitability since August 15,1971, that America and the western world would move from crisis to crisis until the financial and economic system eventually collapsed.

For those who have been objective over those years what we are seeing today is no surprise.

No one in America wants the merry-go-round to stop. Americans are not prepared to face the music. They naturally want more debt creation, but interestingly by 70%, they did not want a short-term debt extension. That is understandably confusing and the reason is that when it comes to economy and finance they are really in the dark. What they truly do not understand along with much of Wall Street is that the debt problem is much worse and deeper then they believe.

The problems in Europe are never ending. The solvent countries are discovering what we discovered a year ago May. The cost of the six-country bailout we projected at $4 trillion. A month ago we increased that to $4 to $6 trillion. When we said $4 trillion Germany said $1 trillion. This past week they said $3.5 trillion. We wonder why it took them so long to catch up. As of this writing the Greeks have signed a bailout deal but the lenders still do not know what they want to do. They are finally reaching the realization that they cannot be serviced never mind be repaid. You can cut wages and spending 40% or 50% and not expect revenues to fall. That means the bankers get paid and no one else does. That is what Wall Street's game is all about.

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