Inflation is on Its Way

By Bob Chapman
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The public option for Obama insurance coverage has been described as just a sliver of the overall proposal. Universal coverage directly by government was not an essential element says Health & Human Services. Of course it was. The program is in retreat and the only way the Democrats can get passage of any kind is to re-craft a toothless passage and ram it through in a party line vote. The public is enraged at what the liberals and socialists have tried to foist on them. Worse yet, the administration has submitted to Wall Street and the insurance giants, which they intended to do from before the beginning. Just look at the line up of campaign contributors. The same goes for the euthanasia section. This could well have been a loss leader to get the rest of this monstrosity passed. The exercise will cost the President and Congress dearly as their approval ratings sink to 41% and 12% respectively. November of 2010 will be the time of reckoning.

We remind you that presidents do not make presidential policies. They are made by the bureaucratic types, who receive their marching orders from the Illuminists above them. This is why you had the seamless transition from the neocon administration to the current one now in power. Team A replaced Team B from the Council on Foreign Relations, Trilateralists and Bilderbergers. Nothing really changed.

If you accept the premise that they are all intent on creating world government then you can understand why they all are preparing us for controlled collapse. These planners expected problems, but they were not prepared for the potential of major social unrest displayed at Town Hall meetings nationwide. There is finally growing social unrest and rightly so. All that was initiated by bailing out the rich financial sector to the tune of $23.7 trillion, and then the lying about where funds were going and how they were being used, then more lies, and then the bonuses at AIG and Goldman Sachs and at other Illuminist companies. The public has begun to listen to our story and the elitists cannot let the truth see the light of day. The system is rigged toward the rich insiders and now the public isn't even getting crumbs and everything is being taken away from them. Those insiders who are dismissive of population and the fairness of the system should check with the ancestors of the 300,000 who lost their heads in France during the revolution.

Government no longer serves the people or the general good and the healthcare and cap & trade are typical issues. It is not what Americans want, but what corporate America and politicians want. All the rewards to the crooks on Wall Street and in banking that have destroyed our financial system. We have just been on the receiving end of dreadful government for 8 years and Americans feel helpless after electing a new president. The result thus far has been disastrous. Still few of their elected representatives listen to anything they have to say and it is no wonder we saw the outpouring of unhappiness displayed at Town Hall meetings. This in part is why people are walking away from debt and not paying their taxes. They believe they have an illegitimate government, which refuses to serve and listen to them. They now only represent corporate America.

Historically about 1/3rd of Americans do not file income tax and only 15% of illegal aliens file. That has cost government about $500 billion a year. Americans are fed up and more are becoming non-filers and more are underestimating or hiding income. It is essentially a tax revolt. Why do you think federal revenues fell so precipitously? People are sick and tired of taxation without representation. They are also outraged at the bailout of banks, Wall Street and insurance companies and a few crumbs for the average American.

They also realize that America’s debt will never be repaid, that they will have hyperinflation and that the dollar is collapsing versus other currencies. In time the public will discover gold, but that will happen as the depression goes further forward.

We have already entered the inflationary spiral again. Its force will depend on the strength of the deflationary undertow and the monetization of monetary aggregates. Make no mistake higher inflation is on the way and probably hyperinflation. It will also be affected by a break down in the tax system as well. The trio leads to economic, financial, social and political dysfunction.

What else should the elitists expect? All the revolving door bureaucrats from the Council on Foreign Relations, The Trilateral Commission and the Bilderberg Group are going to do is give us more of the same, as we had for the previous eight years.

Team A replaced Team B. They are furthering the same financial conditions that brought us the current disaster. We are seven months into the new administration and it has already destroyed any credibility it could have had. Writing blank checks to the financial community, which financed your campaign, does not endear you to the voters, as they are thrown a bone.

After the announcement, that the president had re-nominated Ben Bernanke as Chairman of the Federal Reserve, we were led to believe he saved us from a fate worse than death. Bernanke created enough money and credit to temporarily overcome the deflationary undertow in the economy. Ben created the problem along with Sir Alan Greenspan and now he wants us to believe he is going to save us by solving the problem. This is the same Ben that gave Greenspan academic cover. He had the temerity to blame the credit crisis on foreigners who created a savings glut, particularly Asians. He said this suppressed bond yields. That was probably true, but he conveniently forgets to mention that the Fed created all those dollars in the first place and were responsible for lower interest rates. Ben believes any slowdown or shock to the system can be easily handled by injecting more money and credit into the system.

Ben is the man who is going to lead us to a federal deficit of 100% of GDP over the next decade, as deficits swell to more than $1 trillion a year.

What must be remembered here is that it is not going to be easy or even possible to pull the punchbowl away. In 1936 they tried to slick up liquidity to prevent speculation. It turned out to be premature as money and credit fell into negative territory. By 1937 fiscal stimulus programs ended. The federal deficit fell, creating a counterforce.

This is the kind of risk Ben faces when and if he decides to withdraw the punchbowl. When

Ben believed he saw in November 2002, the danger of deflation, he acted by increasing aggregates. There is no doubt he will see the same thing again if he cuts money and credit and raises interest rates. That means the system is entrapped in an endless cycle of money and credit creation, inflation and a lower dollar. Ben fears deflation far more than inflation and so the course will not be altered.

If we are experiencing a bottom it is accompanied by unprecedented budget deficits, which presents a huge financial problem during a recovery. That will be accompanied by inflation. That is what commodities, such as oil and copper are telling us. This presents us with stagflation. The bottom line is more of the same is not going to work and that is what Ben will give us. He simply doesn't know any other way out of the maze. This also shows us that the president is totally ignorant of what is going on around him. None of the players believe in sound money and we will pay the price for that.

In September we see a renewal of monetization where officially the Fed will buy more and more Treasuries, Agencies and CD's from banks, besides what they are doing in secret. A large part of the budget deficit, real estate expansion and banks' bad debt will be monetized by the Fed, which is very inflationary. This is what went on in Argentina and the Weimer Republic and this is where Ben is headed. This is why you have to have gold and silver related investments; they will be your only protection.

> The dollar may weaken through "established lows" as signs of a global economic recovery drive gains in equities and oil, Goldman Sachs Group Inc. said.
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> "That kind of shift could easily be prompted by continued good news from the macro front and the persistently negative dollar-equity and dollar-oil correlations," Thomas Stolper, an economist at Goldman Sachs in London, wrote in a report yesterday. "Dollar bulls could well end up disappointed. Even a short-term move beyond our three- and six-month forecasts of $1.45 per euro is getting increasingly likely."
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> The Dollar Index, which Intercontinental Exchange Inc. uses to track the U.S. currency against the euro, yen, pound, Canadian dollar, Swiss franc and the Swedish krona, has weakened as the Standard & Poor's 500 Index of U.S. shares gained more than 85 percent of the time since June and more than 50 percent of the time since September as investors sought higher-yielding assets on signs on an economic recovery.
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> The index fell 11 percent from its high this year on March 4, during which time the S&P 500 gained 44 percent. The index was little changed at 78.592 as of 7:29 a.m. in New York. S&P 500 Index futures were unchanged.
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> "More and more foreign-exchange players have positioned themselves for a dollar bounce without much impact on the spot market," Stolper said. Since early June, traders have moved toward favoring contracts that give them the option to buy the dollar against the pound, while "spot remains stuck in the mid- $1.60s," Stolper said.
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> The cost of betting that the dollar will rise against the pound in one month's time are at the highest since July 14, and near the most since March, according

to 25 Delta risk reversals.

“All this suggests that the underlying dollar trend is still downward sloping and the risk is that normalization in positioning pushes the dollar through the established lows,” Stolper said.

Sales of newly constructed homes leaped unexpectedly in July to hit their highest level since last September.

New homes sold at an annualized rate of 433,000 during the month, according to a joint report issued by the Census Bureau and Department of Housing and Urban Development.

That far exceeded analysts’ forecasts and was up 9.6% from the revised 395,000 rate recorded in June. A consensus of industry experts surveyed by Briefing.com had predicted July sales of 390,000.

U.S. building permits for July were revised to down 1.1% from June to a seasonally adjusted rate of 564,000, the Commerce Department reported Wednesday.

July building permits were originally reported as being down 1.8% at a seasonally adjusted rate of 560,000.

Mortgage applications filed last week increased a seasonally adjusted 7.5% compared with the week before, boosted mainly by filings to refinance existing home loans, the Mortgage Bankers Association said Wednesday.

Refinancing applications rose 12.7% for the week ended Aug. 21 from the prior week — the third increase for such applications over the last four weeks.

Overall filings had increased a seasonally adjusted 5.6% in the week ended Aug. 14, data compiled by the Washington-based MBA showed. The MBA survey covers about half of all U.S. retail residential mortgage applications.

Applications for mortgages to purchase homes were up a seasonally adjusted 1.0% last week compared with the week before, due to increased demand for government mortgages, including those backed by the Federal Housing Administration.

This latest increase marks the fourth consecutive weekly gain for home-purchase applications — a streak last seen in March, when interest rates on fixed-rate mortgages dropped and stayed below 5%. See related story.

Overall applications for the latest week were up an unadjusted 34.1% from the same week in 2008. The four-week moving average for all mortgages was a seasonally adjusted 3.5%.

Refinancings made up 56.5% of all applications last week, up from 53.3% the week before. Adjustable-rate mortgage accounted for 6.5% of filings, unchanged from the week before.

According to the MBA survey, rates on 30-year fixed-rate mortgages averaged 5.24% last week, up from 5.15% the week before.

The average rate on 15-year fixed-rate mortgages stood at 4.58% last week, up from 4.52% in the week ended Aug. 14. And one-year ARMs averaged 6.74%, up from 6.66%.

To obtain the rates, the 30-year fixed-rate mortgage required payment of an average 1.07 points, the 15-year fixed-rate mortgage required an average 1.18 points and the 1-year ARM required an average 0.17 point. A point is 1% of the mortgage amount, charged as prepaid interest.

Only one crime was solved by each 1,000 CCTV cameras in London last year, a report into the city's surveillance network has claimed. The internal police report found the million-plus cameras in London rarely help catch criminals.

In one month CCTV helped capture just eight out of 269 suspected robbers. David Davis MP, the former shadow home secretary, said: "It should provoke a long overdue rethink on where the crime prevention budget is being spent."

He added: "CCTV leads to massive expense and minimum effectiveness.

"It creates a huge intrusion on privacy, yet provides little or no improvement in security.

"The Metropolitan Police has been extraordinarily slow to act to deal with the ineffectiveness of CCTV."

Toll Brothers Inc., the largest U.S. builder of luxury homes, reported a wider loss for the third quarter as the recession weighed on sales. The company said it has begun raising prices as the market starts to recover.

The net loss for the three months ended July 31 swelled to $472.3 million, or $2.93 a share, from $29.3 million, or 18 cents, a year earlier, Horsham, Pennsylvania-based Toll said in a statement today. The loss, which included tax charges and writedowns of $554 million, was bigger than analysts' estimates.

Massachusetts Mutual Life Insurance, was stripped of its AAA rating by Standard & Poor's on the drop in the value of asset management units.

The credit and financial-strength ratings were cut to AA+ "because of its lower quality of capital and reduced financial flexibility," the ratings firm said yesterday.

Nevada’s unemployment rate hit a record in July, climbing to 12.5 percent statewide and 13.1 percent in Las Vegas, according to a state report issued Friday.

That puts the Silver State 3.1 percentage points above the national unemployment rate of 9.4 percent, according to figures from the Nevada Department of Employment, Training and Rehabilitation.

The state’s unemployment rate was the third highest in the nation, behind Michigan at 15 percent and Rhode Island at 12.7 percent, the agency said.

The number of U.S. workers filing new claims for jobless benefits declined last week, falling in line with economists’ observations that labor market conditions appear to be slowly stabilizing.

Meanwhile, total claims lasting more than one week also fell back down after ticking up the previous week.

Initial claims for jobless benefits fell 10,000 to 570,000 in the week ended Aug. 22, the lowest level since Aug. 8, the Labor Department said in its weekly report Thursday.

Economists surveyed by Dow Jones Newswires had expected a decline of 11,000. The previous week’s level was revised from 576,000 to 580,000.

The four-week average of new claims, which aims to smooth volatility in the data, fell 4,750 to 566,250. That was the lowest average since the week ended Aug. 8.

Manufacturing activity in the Federal Reserve Bank of Kansas City’s district slipped in August, but expectations moved sharply higher, according to data released by the bank Thursday.

The bank’s production index fell back into negative territory, dropping to -7 from 2 in July and 9 in June, in a month-over-month comparison. From a year ago, the August production index dropped to -60 from -50 in July.

The August index covering production expectations for six months from now more than doubled to 24 from 10 in July. August’s reading was the highest since August 2008.

Readings under zero denote contraction and describe the breadth of the retreat.

On a monthly comparison, the August shipments index fell to -12, from 7 in July; from a year ago, the index fell to -57 from -50 in the prior month.

The August employment index improved to -6 from -13 in July. Back in March, the employment index hit a record low -41. From a year ago, the index worsened to -66 from -57.

The prices paid index rose to zero in August from -6 in July, while the prices received index increased to -11 from -17 in July. On a year-ago comparison, the prices paid index rose to -17 from -27, but the prices received index worsened to -27 from -24.

The Kansas City Fed district includes Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico and western Missouri.

The U.S. economy took a first step toward recovering from the worst recession since the 1930s in the second quarter as companies reduced inventories, spending started to climb and profits grew.

Gross domestic product shrank at a 1 percent annual rate from April to June, less than the 1.5 percent decline projected by economists in a Bloomberg News survey, a Commerce Department report showed today in Washington. Corporate earnings rose by the most in four years, the department also said. [If you believe this you may be interested in a bridge we have for sale.]

Government programs, including the “cash-for-clunkers” and first-time homebuyer incentives, are boosting manufacturing and housing, indicating the gain in sales that began last quarter will be sustained in the second half of the year. Another report showed unemployment may jeopardize the strength of the economic rebound.

Applications for unemployment fell by 10,000 to 570,000, a higher level than forecast, in the week ended Aug. 22 from a revised 580,000 the week before, Labor Department data showed today in Washington. The total number of people collecting unemployment insurance fell to the lowest level since April.

The U.S. added 111 lenders to its list of “problem banks” in the second quarter, a 36 percent increase that pushed the group to a 15-year high.

A total of 416 banks with combined assets of $299.8 billion failed the Federal Deposit Insurance Corp.’s grading system for asset quality, liquidity and earnings, the most since June 1994, the Washington-based FDIC said in a report today. Regulators didn’t identify companies deemed “problem” banks.

“For now, the difficult and necessary process of recognizing loan losses and cleaning up balance sheets continues to be reflected in the industry’s bottom line,” FDIC Chairman Sheila Bair said in a statement.

Regulators have taken over 81 banks this year, including Guaranty Financial Group Inc. in Texas and Colonial BancGroup Inc. in Alabama. Twenty-four banks collapsed in the second quarter as the pace of failures accelerated amid the worst financial crisis since the Great Depression.

The surge in failures prompted the agency to charge the industry an emergency fee in the second quarter to raise $5.6 billion to replenish its insurance fund, which fell to $10.4 billion as of June 30 from $13 billion in the previous quarter, the agency said. An $11.6 billion increase in loss provisions for bank failures caused the decline in the fund, the FDIC said.

FDIC-insured banks reported a net loss of $3.7 billion in the second quarter, compared with a $5.5 billion gain in the first quarter. The loss, the second quarterly one the industry has reported in 18 years, was driven by increased expenses for bad loans, the FDIC said.

A new law just passed in Massachusetts imposes fines of up to $1000 per day and up to a 30 day jail sentence for not obeying authorities during a public health emergency. So if you are instructed to take the swine flu vaccine in Massachusetts and you refuse, you could be facing fines that will bankrupt you and a prison sentence on top of that.

Sales for last month for new homes, while 13.4% lower than in July 2008, are up 31.6% from the January bottom, the data showed.

Government statisticians have low confidence in the monthly report on new-home sales, which is subject to large revisions and large sampling and other statistical errors.

In most months, the government isn't sure whether sales rose or fell. The standard error in July, for instance, was plus or minus 13.4%. The government says it can take up to five months to establish a statistically meaningful trend in sales.

For all of 2008, 485,000 homes were sold. In 2007, it was 776,000. [How can 433k now be good?]

Sales rose in three of four regions, led by a 32% rise in the Northeast [from 3k to 4k] and followed a 16% gain in the South. Sales rose 1% in the West but fell 8% in the Midwest.

If one takes the time to read the details of the US Census' report on New Home Sales, they will find that Not Seasonally Adjusted, New Home Sales are DOWN 31.1% year-to-date! They will also find that NSA July sales increased only 3k from June (39k from 36k) or 8%.

Of the 39k New Homes sold in July, 28k or 72% are less than $300k in price, 86% are less than $400k and only 16k are completed houses. The median home sales price in July fell11.5% y/y and 0.1% m/m to $210,000.

We are celebrating estimated 2009 annualized sales that are forecast to be down 12% from 2008. We will add our caveat about all the unnatural stimulants that have been injected to get home sales to improve to -12% y/y estimated. The NAR estimates that first-time buyers are 30% of home sales.

This is another unnatural usurpation of the natural recovery cycle.

The real US unemployment rate is 16 percent if persons who have dropped out of the labor pool and those working less than they would like are counted, a Federal Reserve official said Wednesday. "If one considers the people who would like a job but have stopped looking — so-called discouraged workers — and those who are working fewer hours than they want, the unemployment rate would move from the official 9.4 percent to 16 percent, said Atlanta Fed chief Dennis Lockhart.
http://www.breitbart.com/article.php?id=CNG.4452bed82adf3124e5884678e236d7fb.361&show_article=1

Chris Martensen: The Shell Game – How the Federal Reserve is Monetizing Debt

The Federal Reserve has effectively been monetizing US government debt by cleverly enabling foreign central banks to swap their Agency debt for Treasury debt.

The shell game that the Fed is currently playing obscures the fact that money is being printed out of thin air and used to buy US government debt.

The Federal Reserve is monetizing US Treasury debt and is doing so openly, both through its $300 billion commitment to buy Treasuries and by engaging in a sleight of hand maneuver that would make a street hustler from Brooklyn blush…
http://www.chrismartenson.com/blog/shell-game-how-federal-reserve-monetizing-debt/25806

Low inflation has made food and gas more affordable during the recession, but there's a downside: Social Security beneficiaries probably won't get a raise next year, and the IRS may reduce the amount workers can contribute to their 401(k) plans.

The IRS will announce 2010 contribution limits for 401(k) plans in October, based on a formula tied to the inflation rate in the third quarter vs. the year-ago quarter. For 2009, most workers can contribute up to $16,500 to their 401(k) plans, plus an additional $5,500 if they're 50 or older.

Unless inflation picks up in August and September, the IRS could be forced to reduce the cutoff to $16,000 in 2010, according to an analysis by Mercer, a human resources consultant. The threshold for catch-up contributions could be reduced to $5,000. This would mark the first time the IRS has reduced 401(k) contribution limits. Consumer confidence levels slipped a bit in August compared with the previous month, a report Friday said.

The Reuters/University of Michigan consumer sentiment index for August moved down to 65.7 – the lowest reading since April – from 66.0 in July and 70.8 in June. It was higher, though, than the 63.2 in the preliminary August index. The end-August figure was expected to move up a touch from mid-August, to 64, according to a survey of economists by Dow

Jones Newswires.

The current conditions index for August was 66.6, the lowest since March, compared with 70.5 in July and from June's 73.2, while the expectations index was 65.0 in August from 63.2 in July and from 69.2 the month before that.

The one-year inflation expectations reading was 2.8% in August from 2.9% in July, and the five-year reading was 2.8% after July's 3.0%.

Whirlpool Corp. announced Friday that it will close its manufacturing plant in Evansville, Ind., eliminating about 1,100 full-time jobs by mid-2010.

Consumer spending increased 0.2% in July for its third consecutive time, on the back of a 1.3% increase on durable goods, namely automobiles, while personal income remained unchanged, following a 1.1% decline in June. The Dollar picks up against Euro and Pound

Banks are increasing lending to buyers of high-yield company loans and mortgage bonds at what may be the fastest pace since the credit-market debacle began in 2007.

Credit Suisse Group AG and Scotia Capital, a unit of Canada's third-largest bank, said they're offering credit to investors who want to purchase loans. SunTrust Banks Inc., which left the business last year, is "reaching out to clients" to provide financing, said Michael McCoy, a spokesman for the Atlanta-based bank. JPMorgan Chase & Co. and Citigroup Inc. are doing the same for loans and mortgage-backed securities, said people familiar with the situation.

"I am surprised by how quickly the market has become receptive to leverage again," said Bob Franz, the co-head of syndicated loans in New York at Credit Suisse.

The Swiss bank has seen increasing investor demand for financing to buy loans in the past two months, he said.

The 7-year Treasury auction bid to cover was 2.74% versus the average of the past six auctions at 2.44%.

> Recovery no less, bad numbers yes. The market is up 50% off its lows or more but still off 35% from two years ago. Cash for clunkers and $8,000 first time buyer home purchases rebates won't change the underlying problems. The economy is only borrowing from tomorrow. These types of moves only guarantees the fall of the dollar further and the further bankruptcy of the treasury and the fed. As an extension of that a dollar collapse will take every other currency with it and make gold and silver the premier asset.

Despite loads of propaganda and some signs of improvement in consumer confidence, retailers are in a death spiral.

US commercial paper outstanding rose for the week of 8/26 by $43.7 billion to $1.154 trillion. Asset backed CP rose $41.5 billion to $457.8 billion. Unsecured issuance rose $12.4 billion after rising $38.1 billion for the previous week.

More than 500,000 ARMs are scheduled to have their monthly repayments bounce from comfortably low initial ones to unaffordable higher ones over the next four years. Since February, defaults and foreclosure rates on Option ARMs have passed those on subprime mortgages. Many Option ARMs are not available for refinancing. One firm expects banks to lose $112 billion on Option ARMs written in 2005-07.

It is now cheaper to borrow the dollar than the yen for the first time in 16 years.

The number of problem US banks and thrifts rose sharply to 416 in the second quarter from 305 q-o-q as the industry reported a $3.6 billion loss. At the end of the second quarter the FDIC's assets fell 20% to $10.4 billion.

ABN Ambro, Bank of America, Bank of NY, Deutsche Bank, HSBV, JP Morgan, US Bank, and Wells Fargo, have filed a Declaration Statement with the court in the case of FOIA of Bloomberg versus the Fed, in which they essentially state that if the court allows access to Fed documents and if an "Audit the Fed" laws are passed, it could lead to a complete financial system collapse.

The audacity and arrogance of these thieves is unmatched by anything ever seen in the history of the US or any other country. This is like letting pedophiles run a day care center for children. What they are telling you is these banks are all broke.

The FDIC is technically broke and has guaranteed $320 billion in TLGP loans, including $260 billion for "Bank & Thrift Holding Companies," non-insured affiliates such as CIT Financial. The FDIC has no authority to create money out of thin air, so proclaiming that no one will ever lose money is either naïve or criminal. Bair is guaranteeing trillions in debt obligations with no funds to do so.

California will pay no fees and 3% interest on a $1.5 billion loan from JP Morgan Chase to pay for IOU's. The loan will be repaid by the issuance of tax anticipation notes. This is an extremely favorable loan – a gift if you may.

Debt has doubled in the US since 1976 or over the last 38 years. The annual rate of increase is 9.55% annually. A bondholder would need a 14% return to get a profit and pay taxes.

Since 1971 gold has gone from $35.00 to $940.00, or an annual return of 9.04%. If not for taxes gold has done a remarkable job of holding its value.

We have some new twists from the latest document sent out by USAA Federal Savings Bank.

The bank, we, may charge your bank account or accounts that may own with our affiliates for amounts you owe the bank. In other words loans could be due and payable at their whim. That includes deposits of federal or state pension or Social Security benefits. If you do not want this you must change your benefit deposit instructions with the benefit payer. In other words go back to receiving a check and cashing it for cash – that is if the bank will give you cash.

The USAA also stated, we reserve the right to reject any outgoing or incoming wire transfers and to limit the availability of such services.

The bank may require reasonable advance notice for large cash withdrawals. The bank may refuse to honor a request to withdraw funds in cash from your account or to cash a check (including a cashier's check or other official item) if the bank believes the amount is unreasonably large or that honoring the request would cause the bank undue hardship or security risk.

The bank may provide 7 days notice to withdraw or transfer funds from any account.

If you have a wire or check in foreign funds the bank may determine, in its discretion, to assign a currency exchange rate to your transaction without informing you. In other words they will charge you whatever they please.

The noose is tightening. Keep only three months operating expenses in a bank, six months for businesses, and keep $5,000 or more at home in small bills for emergencies with your gold and silver coins. Let this be a lesson to you. They are preparing for currency controls. Maybe not for a year or two, but they are coming.

The issue of Fed secrecy falls under the rule of law and the constitution. Only totalitarians want to operate in the shadows without scrutiny, oversight or restraint. Remember Jackson and Jefferson told us the biggest threats to America were elitist banking interests. The days of banker control are coming to an end. Their threatening financial and economic calamity if they do not get their way is over. Bankers should remember if they blow up the financial system there is a good likelihood they will lose their heads.

> John Williams regularly notes that Gross Domestic Income is the theoretical equivalent to GDP. GDI declined 2.1% in Q2 while GDP declined only 1.0%.
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> Mr. Williams: Where GDP reflects the consumption side of the economy and GDI reflects the offsetting income side. When the series estimates do not equal each other…the difference is added to or subtracted from the GDI as a "statistical discrepancy." Although the BEA touts the GDP as the more accurate measure, the GDI is relatively free of the monthly political targeting the GDP goes through.
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> The Fed increased its balance sheet by $14.4B for the week ended Wednesday. The Fed monetized $8.8B of Treasuries, $5.6B of agencies and $13.3B of MBS. Currency swaps fell again, by $8.8B.
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> The US Treasury's Inspector General provides a major reason why China and other foreign investors are fleeing GSE debt in its review of the demise of National Bank of Commerce (Berkley, Illinois).
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> The primary cause of NBC's failure was its significant losses from preferred stock holdings in Federal National Mortgage Association (Fannie Mae) and Federal Home Loan Mortgage Corporation (Freddie Mac), (also referred to as Government Sponsored Enterprises (GSE) securities in this report).
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> These losses depleted NBC's capital and strained its liquidity.
>
> Retrospectively, the lesson to be taken from the NBC material loss is that banks and regulators need to be cognizant that securities that are not backed by the full faith and credit of the U.S. government do entail risk, and high

> concentrations of such holdings elevate that risk. That risk was clearly underscored by NBC's failure.

The refusal by ABC and NBC to run a national ad critical of President Obama's health care reform plan is raising questions from the group behind the spot — particularly in light of ABC's health care special aired in prime time last June hosted at the White House. [What do you expect from GE-owned (Immeltdown CEO) NBC?]

> Section 431(a) of the bill says that the IRS must divulge taxpayer identity information, including the filing status, the modified adjusted gross income, the number of dependents, and "other information as is prescribed by" regulation…Section 245(b)(2)(A) says the IRS must divulge tax return details…there's no specified limit on what's available or unavailable…to the Health Choices Commissioner. The purpose, again, is to verify "affordability credits."

> Section 1801(a) says that the Social Security Administration can obtain tax return data on anyone who may be eligible for a "low-income prescription drug subsidy" but has not applied for it.

> Over at the Institute for Policy Innovation (a free-market think tank and presumably no fan of Obamacare), Tom Giovanetti argues that: "How many thousands of federal employees will have access to your records? The privacy of your health records will be only as good as the most nosy, most dishonest and most malcontented federal employee…. So say good-bye to privacy from the federal government. It was fun while it lasted for 233 years."

We find it of interest that as the Fed discusses exit strategies that the Fed bought an additional $301 billion in treasuries, mortgages and agencies, bringing their 2-weeks of net purchases to $100.7 billion. The Fed is accelerating the monetization of debt. This also means they may have completed their $300 billion purchase of Treasuries. We are at a major crossroad. The Economic Cycle research Institute Index is at its worst level since May 28, 1971. The result was major inflation and 20.5% interest rates, which led to a move in gold from $200 to $860.

The ERCI weekly leading index for the week-ended 8//21/09 fell to 124.4 from 124.9. The annualized growth rate was at a 38-year high of 19.6%.

Atlanta Fed Chief Dennis Lockhart says real unemployment is 16%, we guess he won't be around for long.

> The U.S. Federal Reserve won a delay of a federal judge's order that it reveal the names of the banks that have participated in its emergency lending programs and the sums they received.

> Chief Judge Loretta Preska of the U.S. District Court in Manhattan stayed her August 24 order in favor of Bloomberg News, which had sought the information under the federal Freedom of Information Act, so that the central bank could appeal.

> The Fed’s board of governors has worried that disclosure would stigmatize the participating banks, threatening both them and the U.S. economy.

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