

Lying and Spying: The Economy is Sinking. The Coming Depression

Confidence is Down Along With the Market.

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The FBI arrests 1200 Americans for mortgage fraud in the largest crackdown of its kind in history. There is no media focus on the companies that securitized and insured their toxic loans. This white-collar crime sweep is, at best, a one-day story with most of the reports carried by local outlets.

Clearly the FBI did not get the media punch it had hoped for. The issue of financial industry fraud did not even register on the media's Richter scale.

Two weeks later, the FBI tried again, this time with an ill-timed, years in the making bust of 11 alleged Russian spies accused, so it seems, of impersonating Americans with no sign that they carried out successful espionage missions.

The story grew legs, in several senses, after it was discovered that one of the "spies" posted sexy pictures of herself on Facebook and other sites.

Ooo la-la: Predictably, she has now become the story; No one knows what to think about the FBI's motives in pumping up this cold war like drama. Their big spy-catch was questioned in both the US and Russia. Now watch for payback in the form of arrests of Americans in Moscow.

Meanwhile, the financial "reform" bill may go down after the lobbyists persuaded, cajoled and paid off legislators to water it down, and defang it. If it passes, the Wall Street lobby is already working to insure any proposed regulations are as weak as can be.

Did you know that firms such as Citigroup and Goldman Sachs could exploit loopholes until 2022 before withdrawing from "illiquid" funds such as private equity? The long gestation period is an example of the degree of compromise inserted into the package following months of lobbying on Capitol Hill by powerful banks, according to Bloomberg News.

This is a scandal that has yet to be fully disclosed as Amped Status reported,

"A devastating report in the NY Times documents how Tim Geithner's New York Fed worked tirelessly to make sure that AIG was forced to pay banks such as Goldman Sachs 100 percent on dubious contracts that might otherwise have been slashed or subjected to lawsuits. Geithner, of course, was promoted for his efforts to run the rest of the nation's economy. The article is full of revelations that would be mind-numbing if we weren't so used to reading about how taxpayers have been fleeced in the meltdown."

At the same time, the economy is heading for a dive. Reports the Washington Post:

“The recession has directly hit more than half of the nation’s working adults, pushing them into unemployment, pay cuts, reduced hours at work or part-time jobs, according to a new Pew Research Center survey.

The economic shock has jolted many Americans into a new, more austere reality, which is likely to have lasting consequences for an economy fueled mostly by consumer spending. More than six in 10 Americans say they have cut down on borrowing and spending, the survey found.

The reason: Nearly half of the survey’s respondents say they are in worse financial shape as a result of the downturn, which destroyed 20 percent of Americans’ wealth.”

And who is going to fix it? The NY Times doubts that the private sector can or will:

“In cutting spending to rein in deficits, governments are effectively betting that the private sector can make up for lost stimulus spending — and the markets are skeptical.”

It’s worse than that. The markets have been turbulent and volatile. Explains the AP, “Investors have been so burned by the financial crisis of 2008-09 that they fear any hint of a slowdown means the economy will start tanking again.” The quarter, which ended June 30th, was at the lowest level in a year.

Paul Farrell offers this analysis on Marketwatch, “tragically for future generations of Americans the guidance system of capitalism’s Invisible Hand has been replaced by the guiding hand of Wall Street: With no public conscience, no soul, no ethics, no moral values, nothing other than the addict’s obsession to get as rich as possible, fast as possible.”

At the same time, the focus by governments on “austerity” in the name of containing deficits will bring enormous pain to working people but is unlikely to generate jobs or economic stability. Economist Paul Krugman—and others—fears the onset of a depression.

Some like Mish’s Global Economic Trends analysis say it is already here, writing, “ By the way, a depression is not coming, we are clearly in one, a deflationary one at that. Once again, those chanting hyperinflation all missed the boat by light-years.

Various safety nets like food stamps, unemployment insurance, and of course people no longer paying their mortgage and living in their houses for free all mask over the depression.”

But, whether its here or coming, the once unthinkable idea of a depression is being taken seriously as the Columbia Journalism Review observes, “What with Washington still unable to get its act together on a new round of stimulus spending, warnings about the consequences of inaction are taking on a much more serious tone, and the word “depression” is starting to creep into the coverage.”

And what about international cooperation and regulation some hoped would emerge in this age of globalization? No one at the G20 even wanted to talk about that. The German

Parliament killed a tough measure to ban naked short selling. The G 20 would not consider called for a global regime of needed regulations.

“It’s the responsibility of government to make the world financial system less dangerous. Judging from the G20 summit this weekend, we are making no progress at all in that direction,” writes Economist Simon Johnson on Baseline Scenario.

No wonder consumer confidence is said to be “dipping.”

“Americans, worried about jobs and the sluggish economic recovery, had another relapse in confidence, causing a widely watched barometer to tumble in June, reported AP.

The Conference Board, a private research group based in New York, said Tuesday that its Consumer Confidence Index dropped almost 10 points to 52.9, down from the revised 62.7 in May. Economists surveyed by Thomson Reuters had been expecting the reading to dip slightly to 62.8.”

So where are we? Nowhere at all! The next jobs report is already said to be bad. The Republicans blame Democrats and vice versa. Wall Street has shifted the blame from them. Why aren’t people in the streets?

No wonder it’s more fun to read about sexy Russian spies or even Sarah Palin spying on Russia from her front porch,

News Dissector Danny Schechter directed Plunder The Crime of Our Time. You can read about his investigation of the crisis as a crime story on Plunderthecrimeofourtime.com. Comments to dissector@mediachannel.org

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