

No Economic Recovery in Sight: More Financial Chaos Ahead

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The Financial elites are desperate. They are appealing the Bloomberg directive to reveal who received funding to keep from going bankrupt from the Federal Reserve.

In addition HR 1207 will pass in the House this month. The question is in what form. No matter what happens the financial elites know we are hot on their trail. They have to do everything possible to end the depression, or go for broke.

Thus far there has been little recovery even with an official \$23.7 trillion committed by the Treasury and the Fed. This number alone shows you how serious this situation is. The banking sector is still broke and is using TARP funds to buy out failing smaller banks. The residential TARP funds returned will go toward helping bail out the collapsing commercial real estate industry. Quantitative easing has not worked, nor has TARP and the endless stream of money from TALF. We are anxious to see if the FASB sticks to its guns and demands mark-to-market accounting.

That will pull the cover off of the fraud known as mark-to-model, which really is mark to whatever you want it to be. As you can now see this is a much deeper problem than a subprime problem. That just triggered events. As we pointed out before we are still facing a new wave of subprime loans written over the past year by FHA, Ginnie Mae, Fannie Mae and Freddie Mac, plus ALT-A, Option ARMS Pick-and-Pay Loans and the failure of prime loans that will stretch to 2013. On top of that we have commercial real estate loans now to deal with and credit card failure. This is what the Illuminati crime syndicate has brought you in their lust for more power and riches. We must not forget as well, standing in the wings, are America's creditors, especially the Chinese who are dumping \$25 billion to \$100 billion in dollar denominated assets monthly.

Their goal is to be out of dollar paper in another 1-1/2 years. Then there are the other sellers. There are few buyers, so the Fed will have to monetize trillions of dollars in dollar denominated bonds, which they are doing secretly presently. It is no wonder they are terrified of an audit, which would not only uncover their illegal activities, but also expose their leadership and participation in the outrageous suppression of gold and silver prices. The status of foreign creditors could turn on a dime. We predict they will abandon ship one at a time, as the dollar slips lower and lower. The Fed and the Treasury have tried over and over to keep the USDX, dollar index, over 80 for weeks and they have been totally unsuccessful. It settled this past Friday at 78.31, just ready to break to new lows. We wonder how long these countries will tolerate such arrogance and the dream of world government? One must remember these countries are suffering the fallout of the actions that have been deliberately executed by these Illuminists and they are not happy about

that. They are all suffering recession and many depression. It is only a matter of time before they too dump dollar denominated assets.

We would like to say for individuals caught up in this mess worldwide, other currencies are not the answer. Only gold and silver related assets are the answer. Remember that, for in the final analysis all currencies will fall in value versus gold and silver and there are no exceptions. We have been there before and seen that, so do not be deluded into going into other currencies, or shares in foreign markets denominated in other currencies, they are not the answer, only gold and silver are.

Then we hear the fairy tales of recovery in the US, Europe and Asia. If you spend enough money you can create a recovery albeit of short duration. No one is out of the woods. Europe, particularly the eurozone, has cut issuance of money and credit to 3.7% but they are maintaining interest rates at 1%, which is in reality ½%. The European recovery will be a parallel movement for a year and without more cheap money or an increase in money and credit it will die and wither away. Then there are the ongoing real estate collapses in the US, Ireland, Spain and in the Persian Gulf. There could be a bank panic or holiday in any of these regions. If a panic occurs the first liquid asset sold will be US Treasuries and Agencies and the US dollar. This would spread terror in Frankfurt, Paris, London and NYC. All these stock exchanges could collapse as well.

The NYSE, FTSE, CAC and the DAX as countries in trouble sell everything not nailed down to simply survive. The world is about to find out that free trade and globalization has been a disaster. The millions of jobs lost in the US and Europe, so that transnational conglomerates could prosper is in the final stages of death. The redistribution of wealth from the rich to the poor countries is about to end in a shattering smash-up. The myth of worldwide prosperity is about to end. Contrary to prevailing thought the biggest losers will be world exporters, such as China, which has already seen a 40% fall in exports. All the money and credit creation we have seen in China over the past seven months, some \$1.9 trillion, isn't going to work. They still face 30 million unemployed. Those jobs are not going to return for a long time if ever. Out of desperation there eventually will be tariffs, legislated in the US, Europe and in other countries and inflation will rise as a result.

In America the safety net of the FDIC doesn't exist. It is virtually broke and that is why a few months ago unofficially the FDIC asked government for \$500 billion. Putting this into perspective, about \$700 billion would insure about 1% of all the qualifying deposits in the US.

Not only will the Federal Reserve Transparency Act, HR-1207, pass the House, but also it will pass the Senate, because you are going to write every Senator demanding that they pass it.

If passed, we will see our gold inventories. We'll find out what toxic garbage the Fed has been buying from banks and what they have paid for it. We will find out every company that received funds and how they were spent. We will subpoena every piece of correspondence, fax, e-mail and phone calls the Fed has ever made. We will get a real balance sheet; not some version the GAO approved. Wait until the public sees how the Fed and its owners have looted the people for almost 100 years.

Two Republican lawmakers, Darrell Issa, (R-Ca) and Rep. Spencer Bachus, (R-OK), House Financial Services ranking members are seeking an audit of the trust that manages the government's controlling stake in AIG.

Three more U.S. banks failed on Friday, bringing the total to 84 so far this year, as the industry continues to grapple with deteriorating loans on their books. Regulators shuttered Affinity Bank of Ventura, California, Bradford Bank in Baltimore, and Mainstreet Bank of Forest Lake, Minnesota, which in total are expected to cost the government's deposit insurance fund about \$446 million. The Federal Deposit Insurance Corp on Thursday reported that the insurance fund's balance stood at \$10.4 billion at the end of the second quarter. But the agency also noted that the figure was adjusted to account for \$32 billion set aside for expected failures over the next year. FDIC Chairman Sheila Bair said this week that bank failures will remain elevated as banks go through the painful process of recognizing loan losses and cleaning up balance sheets. The total of 84 failures this year marks a sharp rise over the 25 last year, and the three failures in all of 2007.

We stated long ago the somewhere between 3,400 and 4,200 banks would go under and the FDIC would spend trillions of dollars to cover the losses. A loss of 3,400 banks would lead to losses of over \$33 trillion.

The FDIC now has foreign banks and private equity groups about to engorge themselves on failing US banks. Worse yet, rather than cash the FDIC is allowing these financial firms to use equity which is unprecedented. The use of non-cash collateral assets is being used because the purchasing banks are broke and without TARP not only could they not buy anything, but they'd probably be out of business. What Ms. Bair has done has been to expedite the takeover of banks by bigger banks and involved the use of foreign banks as well as private equity partnerships.

As far as we are concerned, as a foreigner, you have to be deranged to buy dollar denominated assets with the massive monetization of agency securities, collateralized debt obligations and treasuries going on, never mind the underhanded secret deals the Fed is involved in to fund their markets. If we can understand what the fed is up too, so can these foreigners. That is what a more than \$600 billion swap facility is all about, including suppression of foreign currencies in order to bolster the strength of the dollar.

This month, September, a great confusion will begin. The occupation of Iraq will continue; more troops will be sent to Afghanistan and Pakistan will become another major battleground. Terrorism will be used to continue to propagandize the American public, along with Cap & Trade and medical reform and the Swine Flu fiasco. These are all distractions to keep the publics' eye off the continued failure of our financial system.

Deflation continues to eat away at assets, except for gold and silver, and the Fed creates money and credit to offset deflation's savages.

The torrent of money and credit has pulled some nations at least temporarily out of the negative decline on GDP. Japan, France and Germany are examples. The question is when will their economies run out of stream? Probably when they attempt to raise interest rates. In the case of the eurozone the expansion of money and credit has already fallen 3.7%.

The global economic crisis, now more than two years old has allowed governments to run banking and financial systems in a usurpation of power over the individual and private property. What we are facing is perpetual crisis and intended government control. There will not be a return to normality. Next will come food shortages and rationing and one epidemic or pandemic after another. We wonder what will happen when the public finds out that all

these problems were preplanned by the Illuminati. Then comes the control of all labor. Government is now spending 185% of tax receipts. The budget deficit will be between \$1.6 and \$2.00 trillion for fiscal 2009, ended on 9/30/09.

For those who hadn't noticed, yoy commercial real estate values fell 27% and are off 36% from their 10/07 peak. We see a total drop of 70% to 75% from the highs, when all is said and done. Refinancing has to be found for \$165 billion in properties by the end of the year, which is impossible, even with left over TARP funds.

Deflation has prices somewhere between minus 2% to plus 5% worldwide as imports and exports have fallen over 30%. As an example, Los Angeles, the busiest port in the US, imports have fallen 16.9% yoy. It is the exporters who are getting hit the hardest and some have cut prices in the process.

The only thing that keeps a veneer of equilibrium is the massive creation of money and credit pumped out by central banks worldwide. We said we had entered depression this past February and as when we called the beginning of recession two years before, no one shared our opinion. If we are not in depression than what is the significance of 20.8% unemployment, a factory utilization level of 65% and continued massive foreclosures? As we have said over and over again the Fed, Treasury, Wall Street and banking are in a box and they cannot get out. They deliberately created this horrible situation and there is no going back. It is impossible to reverse the process. We are in an economic and financial depression. The palliative supposedly is bigger budget deficits and credit expansion into infinity. We are going to see a replay of the 1970s. Inflation will catch up and overtake deflation one more time, but in the end deflation will prevail.

Fiscal spending is running wild and our president predicts a budget deficit of \$9 trillion dollars over the next ten years. The Congressional Budget Office (CBO) says spending has to be cut 8% permanently over the next several years. In July alone federal spending rose 26%, as revenues fell 6%. Corporate tax receipts fell 58%, as individual revenues fell 21%. The official economic contraction is the worst since the great depression. Can you imagine what it really is? 9.4% unemployment is front-page news, but you didn't hear about the 4.7% loss in salaries and wages of 4.7% for the 12 months ended in June. There are more government employees now than all those employed in manufacturing and construction. How is it that state employees now make 40% more than the average income in non-governmental jobs? What a perversion of government. It is no wonder that the US poverty rate is higher than in Mexico and Turkey.

Last week the Dow gained 0.4%, the S&P 0.3%, Nasdaq gained 0.3% and the Russell 2000 lost 0.3%. Cyclical fell 0.3%; transports 1.2% as banks rose 0.8% and broker/dealers 2.2%. Consumers rose 1.9%, utilities fell 0.8%, high tech gained 0.8%, semis 3.3%, biotechs 4.8% and Internets fell 0.2%. Gold bullion rose \$1.70 and the HUI Index rose 1.8%. The USDX gained 0.3% to 78.30.

Two year T-bills fell 14 bps to 0.915, the 10's fell 13 bps to 3.44% and the 10-year bunds fell 6 bps to 3.25%.

Freddie Mac 30-year fixed rate mortgages increased 2 bps to 5.14%, the 15's rose 2 bps to 4.58% and the one-year ARMs were unchanged at 4.69%.

Fed credit rose \$14.1 billion. Fed foreign holdings of Treasuries and Agencies rose \$12.5

billion to a record \$2.825 trillion. These custody holdings have been expanding at an 18.7% rate ytd, and were up \$420 billion over the past year, or 17.5%.

M2, narrow money supply fell \$5.9 billion to \$8.312 trillion. Checking accounts fell \$6.9 billion and savings grew \$19.3 billion.

Total money market fund assets fell \$2.5 billion to \$3.579 trillion.

Total commercial paper outstanding jumped \$43.7 billion to \$1.154 trillion. CP has declined \$527 billion ytd, or 48% annualized and \$640 billion yoy, or 36%. Asset backed CP rose \$41.5 billion to \$458 billion and yoy fell 40%.

The Federal Reserve may not need to buy the full \$1.25 trillion in mortgage-backed securities the central bank has authorized by year-end, two regional Fed bank chiefs said. The Fed's program to buy \$1.25 trillion in mortgage bonds guaranteed by Fannie Mae, Freddie Mac and Ginnie Mae is aimed at reducing home-finance costs and arresting the housing slump that triggered the recession. Net purchases totaled \$25.4 billion in the week ended Aug. 26, compared with a weekly average of \$23.3 billion since the Fed began the initiative in January, [This is strong monetization.]

For a hedge fund named after a three-headed guard dog, Cerberus Capital is having an awfully tough time keeping its clients from fleeing for the exits.

The giant New York-based hedge fund run by Stephen Feinberg is facing some \$5.5 billion in investor withdrawal requests — commonly called redemptions — representing a whopping 71 percent of its nearly \$8 billion flagship fund.

"We have been surprised by the response," Feinberg reportedly told investors in a letter sent late Thursday.

Cerberus in July rolled out a restructuring that included giving investors a chance to bail from the fund if they wanted, but the firm was banking that its clients would simply move assets to another fund that offered lower fees instead of wanting to pull out their money entirely. The Wall Street Journal Web site first reported news of Cerberus' massive redemptions.

That level of investor abandonment marks a fresh black eye for the badly battered Cerberus, which got its name from the three-headed canine in Greek mythology that guards the gates of hell. Cerberus has seen its once sterling reputation reduced to tatters thanks to failed investments in troubled companies, including GMAC and Chrysler.

It's also a stinging rebuke for the secretive Feinberg, who is rarely photographed and seldom gives interviews. Indeed, despite being at one time the hedge fund everyone wanted to join, Cerberus over the past year has proved disastrous at investing other people's money, with Chrysler and GMAC bailed out by Uncle Sam.

The Cerberus Partners fund is reportedly up 3 percent for 2009.

The Securities and Exchange Commission's internal watchdog faulted the agency's oversight of credit-rating firms, saying it was slow to implement regulations and in "certain instances" failed to comply with US rules.

“The commission has historically been slow to act in this area,” SEC Inspector General David Kotz said in a report posted to the regulator’s Web site yesterday.

“While, beginning in 1994, the SEC issued concept releases, conducted examinations, issued reports, held hearings and proposed regulations, it adopted no regulations” for recognized credit raters until it was forced to do so by an act of Congress in 2006.

The inspector general made 24 recommendations for strengthening the SEC’s oversight of credit-rating companies, many of which “have been considered for some time or are currently being actively analyzed,” SEC Chairman Mary Schapiro said.

Lawmakers are weighing new regulations after Moody’s Investors Service, Standard & Poor’s and Fitch Ratings drew fire for assigning mortgage securities their highest rankings and maintaining those assessments after home loans began defaulting in 2007 amid the worst housing slump since the Great Depression.

In at least one case, the regulator agreed to recognize a credit-rating company even though SEC staff identified “numerous significant concerns” with the firm’s application, Kotz said in the report. He questioned whether the approval of the firm’s application “was in the public interest.”

Kroll Inc., the global risk consulting company, never saw it coming.

And that’s just the problem, according to a growing list of wealthy investors, who claim the well-known background investigations firm gave them the green light to invest with certain money managers — only to see those millions of dollars go up in smoke shortly thereafter in what are believed to be some of the largest Ponzi schemes ever.

One wealthy South African investor is weighing legal action against Kroll, The Post has learned, after the New York-based company’s office in that country issued a lengthy report in 2007 giving businessman Barry Tannenbaum a clean bill of health.

Tannenbaum was offering investors returns of 3 percent a week if they would help finance his pharmaceutical importing business and its shipments of the raw materials in AIDS treatment drugs.

The investor was wary after Tannenbaum showed him and others contracts from large pharma companies — so he sought out intelligence on Tannenbaum. The Kroll report put him at ease, sources familiar with the case said.

Documents seen by The Post show that Kroll Background Screening conducted a thorough investigation of both Tannenbaum and a second man on June 18, 2007. The finished Kroll report is understood to have been passed on to others, unwittingly pushing even more potential victims into Tannenbaum’s alleged fraud.

Tannenbaum is currently living in Australia, where he claims his innocence.

“The accusations of me running a Ponzi scheme are unfounded and drivel. I was not running a Ponzi scheme at all,” Tannenbaum, 37, told The Post in an e-mail last week.

After Tannenbaum's Frankel Chemical Corp. was more than a year late on making payouts, the investor, who wished to remain anonymous, hired a team of private investigators who found that many of the contracts with the pharma firms were forged.

The private investigators went to South African authorities this summer and a task force of five national law-enforcement agencies, including the central bank, the police department's Serious Economic Offences Unit and the Financial Intelligence Center, started an investigation into allegations that Tannenbaum ran a \$248 million Ponzi scheme.

The Kroll report clearing Tannenbaum, who has not been charged with any crime, would be the centerpiece of any civil action against the risk-consulting company.

The apparent black eye for Kroll in South Africa comes just weeks after Electri International sued Kroll over \$6.3 million it placed with alleged Ponzi schemer R. Allen Stanford. Electri, a Bethesda, Md.-based foundation for electrical contractors, paid Kroll \$15,000 for a due diligence report on Stanford International Bank, the financier's Antigua-based operation. The report said Stanford's operation was on the up and up.

Stanford was arrested this year and charged with running a \$7 billion Ponzi scheme.

"With Bernie Madoff, wealthy investors rushed in without doing any due diligence," a source close to the South African investigation said. "With Stanford and Tannenbaum, investors took the precaution of asking a reputable firm to perform due diligence yet they still got burned."

Kroll declined to comment about the report.

The Electri case was especially embarrassing for Kroll because after it was filed it was learned that Kroll's Thomas Cash, head of its Miami office, whose jurisdiction issued the Stanford report, used to work as a consultant for the disgraced money man — information that was not disclosed to the client.

Cash has since left Kroll.

A third case this year involved two Miami brothers who were promised a return of 5 percent a month to invest in a company that distributed iPods to a South American retailer. Kroll, according to a lawsuit filed by the brothers in federal court in Florida, vetted Andres Pimstein and Jeffrey Feuer, the duo behind the distributor, and gave them a clean bill of health.

The brothers' \$1.1 million investment in the distributor was lost when it turned out the investment plan was a \$40 million Ponzi scheme. Pimstein pleaded guilty to federal charges this year.

Former Israeli Prime Minister Ehud Olmert was indicted Sunday in a corruption scandal that led to his resignation last year and set the stage for a rightward shift in Israeli politics.

Prosecutors alleged that Olmert, as mayor of Jerusalem in the 1990s and later as trade minister, profited from a double-billing scheme in which he charged charities and the government for trips and expenses already paid by other organizations.

About \$90,000 collected for trips — often to the United States and sponsored by major Jewish groups — was allegedly accumulated in his account at a travel agency and then used for personal vacations and other expenses, according to the indictment.

Manufacturing activity improved for the third straight month in the Chicago region in August. The Chicago purchasing managers index rose to 50% in August from 43.4 in July.

The U.S. economy does not need a second fiscal stimulus package, instead the government should cut spending over the next two years, according to a survey of business economists released on Monday.

Most economists in the National Association for Business Economics (NABE) semi-annual poll were concerned about the outlook for the U.S. government budget. Also, they doubted health-care reforms proposed by the Obama administration would lower costs while increasing access and maintaining quality.

Rep. Barney Frank, the chairman of the U.S. House of Representatives Financial Services Committee, said he plans legislation to restrict the Federal Reserve's emergency lending powers and subject the central bank to a "complete audit."

At a recent town hall meeting, Frank said the House would pass a bill to use an audit to crack open the central bank's books more widely, but in a way that will not encroach on the central bank's monetary policy independence.

In addition, he said the House would move to rein in the authority that allows the Fed to lend to a wide range of non-bank firms in "unusual and exigent circumstances."

A bill sponsored by Texas Republican Rep. Ron Paul that would allow the Government Accountability Office, a federal watchdog agency, to audit Fed interest-rate decisions has won the co-sponsorship of more than half of the House.

Fed Chairman Ben Bernanke has warned that the bill would compromise the U.S. central bank's policy-making independence and could undermine financial markets and the economy.

Frank said he has been working with Paul on compromise language. "He agrees that we don't want to have the audit appear as if it is influencing monetary policy because that would be inflationary," Frank told constituents. A video of his remarks was posted on the popular video file-sharing website YouTube [here](#) .

Steven Adamske, a spokesman for Frank, told Reuters compromise language had not yet been written. He provided no further details. A spokesman for Paul could not be reached.

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Frank said the audit and emergency lending provisions would be incorporated in broader legislation to revamp U.S. financial regulation that would likely pass the House in October. By seeking a compromise with Paul, Frank could strengthen the broader legislation's chance at passage.

As chairman of the House Financial Services Committee, Frank is a key player in the

effort to overhaul U.S. financial regulation.

The Obama administration has proposed giving the Fed responsibility for overseeing firms whose collapse could endanger the entire financial system. At the same time, it wants to strip the central bank of its consumer protection function, and invest that authority in a new agency.

Frank expressed unease at what he called the Fed's power to "lend money to anybody they want" in emergency circumstances. "We are going to curtail that lending power. We are going to put some restraints on it," he said.

Since the financial crisis struck two years, the Fed has used this emergency authority to prop up a number of non-bank financial firms with billions of dollars in loans, including insurer American International Group.

The Fed's actions have angered many lawmakers who are concerned the central bank has put taxpayer money at risk. Fed officials have defended their actions as necessary to prevent a deeper credit crisis and widespread damage to the economy.

Administrators of the London arm of Lehman Brothers said the claims it is handling against the collapsed Wall Street bank could total as much as \$100 billion.

PriceWaterhouseCoopers, which is working with over 100 companies, mostly in the UK but also in continental Europe, said on Sunday: "We're dealing with a large number of entities and therefore the claims could be as much as \$100 billion.

"These claims are exceptionally complex and we anticipate a large amount of further work in dealing with (them)."

A significant amount of the claims arose as a result of guarantees issued by the parent company to its subsidiaries, the administrator said.

PwC said it had worked with administrators in other affiliates to understand Lehman's accounting system so a standard approach to the reconciliation of inter company balances could be agreed.

"If this can be achieved then it should reduce the likelihood of affiliates suing each other in pursuit of amounts that are owed between the different Lehman estates," it added.

The biggest spur to deal-making among banks isn't private-equity cash or foreign investors. It is the federal government.

To encourage banks to pick through the wreckage of their collapsed competitors, the Federal Deposit Insurance Corp. has agreed to assume most of the risk on \$80 billion in loans and other assets. The agency expects it will eventually have to cover \$14 billion in future losses on deals cut so far. The initiative amounts to a subsidy for dozens of hand-picked banks.

Our grassroots Revolution has set its sights on restoring a sound monetary policy to our nation, and every day we are awakening more of our countrymen to the dangers of Federal Reserve secrecy and its stranglehold on our economy.

A year ago, no one in the political establishment would have believed that a bill to thoroughly audit the Fed would have almost two-thirds of the House (including every Republican representative and nearly one hundred Democrats) and a quarter of the Senate on board.

Certainly, no one would have bet that three-fourths of the American people would support such an audit.

As many of you may have heard by now, recent statements from Representative Barney Frank, chairman of the House Financial Services Committee, have indicated that the House will vote on Audit the Fed in the next few months.

Rumor has it Cerberus Capital Mgt. may be in danger of default. These were the Zionist geniuses that invested in Chrysler and GMAC and lost billions.

Bad news for the Illuminists. The US has lost control over Japan with the new election. They are moving away from fascism toward socialism and will not be buying dollar denominated securities in the future.

China has just reneged on derivatives and is dumping \$25 to \$100 billion a month, plus buying anything denominated in US dollars, such as commodities. France's Sarkozy wants one reserve currency and not the dollar. Sarkozy and Germany's Ms. Merkle want large banks broken up into much smaller units. These developments have the Illuminists tearing their hair out.

We have three weeks left of monetization and we know if the Fed doesn't continue to monetize then the bottom will fall out of the world economy.

State owned Chinese firms have defaulted on derivatives as Goldman Sachs, Morgan Stanley, JP Morgan Chase and UBS refuse to discuss the matter. The Chinese figure the US is printing money madly to bailout bankrupt institutions, which is essentially defaulting on dollar obligations. The Chinese figure why should we honor derivative losses with the crooks. Let them go to the Fed or the Treasury and let the American taxpayer foot the bill. After this episode the dollar should go into the tank.

The employment component of the Chicago PMI rose to 38.7 from 35.3 in July. Prices paid rose to 50 from 35.0 and new orders jumped to 52.5 from 48.0. Production rose to 52.9 from 43.3. That was a mere 43% increase in prices paid in one month or over 7,300% annualized. This is why you need gold - American Zimbabwe is on the way.

However, rather than voting on HR 1207 as a standalone bill, many in Congress hope to roll it into the comprehensive regulatory reform package recently proposed by the White House.

This reform package grants new, more comprehensive powers to the Fed and strengthens the government's control over our economy. C4L and other friends of liberty stand in opposition to this proposal, as well as any other attempt to convert this historic movement for transparency into yet another rubber-stamping of politics as usual.

It is imperative that Audit the Fed come before the House and Senate on its own merits.

The American people stand behind a thorough audit of the Fed, and we should not be adding additional powers when we don't fully know what is being done with the ones they currently have.

Call Speaker Nancy Pelosi's office today at (202) 225-0100 and urge her to stand with the American people by giving the Audit the Fed bill full debate and a standalone vote on the House floor.

Click here for contact information for your representatives and senators and ask them to get behind Audit the Fed if they have not yet done so. If they have already cosponsored, tell them to push for a roll call vote on HR 1207 and S 604 on the bills' own merits.

Our movement has worked hard to bring transparency and accountability to one of the nation's most secretive institutions. Audit the Fed has received a bipartisan level of support that is very rare in politics today.

Together, we can see a comprehensive audit of the Federal Reserve signed into law, but it should not be accompanied by more of the same interventionist legislation that helped create the current crisis.

U.S. manufacturers saw output rise for the first time since January 2008 last month. On Tuesday, the Institute for Supply Management reported that its manufacturing index for last month came in at 52.9, from 48.9 in July and 44.8 in June. Numbers over 50 indicate growth.

August's reading were over the 50.9 that economists had expected to see. The current index matches the reading seen in June 2007.

Construction spending in the U.S. unexpectedly fell during July, dragged down a big drop in the commercial sector that offset strength in the housing industry.

Total spending decreased by 0.2% to a seasonally adjusted annual rate of \$958.04 billion compared to the prior month, the Commerce Department said Tuesday.

Wall Street had expected spending would increase, by 0.2%.

Overall construction spending rose 0.1% in June; originally, June spending was seen 0.3% higher.

Year over year, spending in July was down 10.5% since July 2008.

Spending in July on residential construction projects soared 2.3% to \$254.2 billion. Residential spending fell 0.3% in May, a revision from the originally reported increase of 0.7% for the month. Year over year, residential spending was 26.9% below the July 2008 level.

The Obama administration has insisted that the pledge will stand. But the President's top economic advisers have refused to rule out broad based tax increases to close the yawning gap between federal revenue and government spending and are warning of tough choices ahead.

This is about the end of the post war political system in Japan, said Gerry Curtis, a Japanese expert at Columbia University. It marks the end of one long era, and the beginning of another one about which there is a lot of uncertainty. Japan is aging more quickly than any other rich country. More than a quarter of its people will be 65 or older by 2015. [It's the end of US domination of Japan]

Japan's opposition party says it would refuse to buy American government bonds denominated in US dollars, if elected. But, he added, it would continue to buy bonds only if they were denominated in yen the so called samurai bonds.

The chief finance spokesman of the Democratic Party of Japan, Masaharu Nakagawa, told the BBC he was worried about the future value of the dollar [He was elected]

Although initial jobless claims are trending down, the total number collecting unemployment insurance inclusive of those recorded in all programs continuing claims, Extended.

Benefits and Emergency Unemployment Compensation has risen to 9.63 million for the week ended.

August 8. The special programs data lag initial claims by two weeks. There was a small dip seen in total continuing claims including special programs in the early weeks of July, but the decline has been partly reversed in the past few weeks.

Average credit card debt among low and middle income Americans 65 and older carrying a balance for more than three months reached \$10,235, up 26 percent from 2005, according to a recently released study by the public policy group Demos. It was the fastest increase of any age group. Soon to be retirees are also struggling with debt.

Aging and retired baby boomers will be a demographic drag on the stock market for years because they will no longer be spending lavishing and investing. Instead they will be liquidating assets to live. This is the opposite dynamic that generated the great stock market boom of the eighties and nineties.

For decades, the Federal Deposit Insurance Corp. disclosed all bids on failed banks to the public. That was then. This is now: no disclosure on losing bids, no explanation to date, and the change might become permanent.

Industry insiders are crying foul. The records are used in formulating future bids and, with the pace of failures accelerating, the about face could not come at a worse time, they said. Some observers also questioned whether the FDIC can legally withhold such records and accused the agency of flouting the Freedom of Information Act, which details what can be kept confidential and requires public disclosure in all other cases.

Charlie Rangel, the Congressman who is charge of crafting tax laws, has been hiding assets and income. Earlier this month the Chairman of the tax writing Ways and Means Committee amended his 2007 financial disclosure form to the tune of more than a half million dollars in previously unreported assets and income. That number may be as high as \$780,000, because Congress's ethics rules only require the Members to report their finances within broad ranges. This voyage of personal financial discovery brings Mr. Rangel's net worth for 2007 to somewhere between \$1.028 million and \$2.495 million, while his previous statement came in at \$516,015 and \$1.316 million.

When you're a powerful Congressman and working diligently to increase tax rates to pay for President Obama's health care plan, we suppose it's easy to lose track of one of your checking accounts. That would be the one at the federal credit union with a balance somewhere between \$250,001 and maybe as high as \$500,000. And when you're crunched for time and pulling together bills to pass in a rush, we guess, too, that you might overlook several other investment accounts, even if some of them are sizable, such as the ones Mr. Rangel missed at JP Morgan, Merrill Lynch, Oppenheimer and BlackRock.

The nation's largest labor union and some allied Democrats are pushing a new tax that would hit big investment firms such as Goldman Sachs reaping billions of dollars in profits while the rest of the economy sputters.

The AFL - CIO, one of the Democratic Party's most powerful allies, would like to assess a small tax about a tenth of a percent on every stock transaction.

Small and medium sized investors would hardly notice such a tax, but major trading firms, such as Goldman, which reported \$3.44 billion in profits during the second quarter of 2009, may see this as a significant threat to their profits.

Rasmussen: Overall, 46% of voters say they at least somewhat approve of the President's performance.

That's the lowest level of total approval yet measured for Obama. Fifty three percent (53%) now disapprove. Eighty one percent (81%) of Democrats approve while 83% of Republicans disapprove. As for those not affiliated with either major party, 66% disapprove.

Ann Pettifor predicted a painful end to the good times. Now she says that only radical action can prevent further gloom Then, in 2006, her book

The Coming First World Debt Crisis, warned that rich countries were heading for a debt crisis that would overshadow anything seen in the developing world.

The economy is no longer in freefall and, as a result, there's an enormous amount of complacency from politicians, in particular, about what will happen next. I believe politicians have given away the opportunity to restructure the banks and reconfigure the system. She is baffled that the Government has used billions of pounds of public money to rescue the banks without insisting on any change in behavior.

Charles Biderman on Bloomberg TV: Insider selling is 30 times insider buying, while corporate stock buybacks are non existent. Companies are saying they don't want to touch their own stocks. I don't know where the money is coming from to keep the markets from not plunging.

National chain store sales fell 0.6% in August from a month earlier, according to Redbook Research's latest indicator of national retail sales released Tuesday.

The Johnson Redbook Index also showed seasonally adjusted sales were down 4.3% compared with August 2008. Both the month-to-month and year-to-year drops met targeted declines. The year-to-year comparison is skewed by Wal-Mart Stores Inc. (WMT) no longer being included. That is because the retail giant in May said it would no longer provide monthly sales figures.

Redbook noted consumer interest last week was on seasonal and back-to-school merchandise. It added that the sales declines are expected to continue, with preliminary targets for September of down 4% from last year and 1.5% from August.

Consumer prices in developed economies were lower in July than in the same month a year earlier, the second straight month of deflation.

According to figures released by the Organization for Economic Cooperation and Development Tuesday, consumer prices in its 30 members fell by 0.6% in the 12 months to July, having fallen 0.1% in the 12 months to June.

The drop in June marked the start of the first episode of deflation since the OECD began compiling data in 1971. As recently as July 2008, the OECD inflation rate stood at an 11-year high of 4.8%.

The plunge in the inflation rate between July 2008 and July 2009 is testament to the severity of the global financial crisis and the recession it engendered.

Chrysler Group LLC U.S. sales fell 15 percent in August as the company ran out of inventory of more fuel-efficient models, a person familiar with the data said.

The person declined to be identified because Chrysler's results are being released later today. A spokeswoman, Shawn Morgan, had no comment.

As California heads into another season of wildfires that have been growing more frequent and more ferocious, homeowners are facing higher prices to insure their property.

In the last year, some big insurance companies have won approvals from regulators for premium hikes ranging from 4% to 7%. And a round of requests for similar increases has been submitted to the state insurance commissioner.

In a state parched by a three-year drought, wildfires are at least partly to blame for the price increases, industry officials and even some consumer advocates agree.

A report that Chinese state-owned companies will be allowed to walk away from loss-making commodity derivative trades provoked anger and dismay among investment bankers on Monday as they feared it may set a damaging precedent.

The State-owned Assets Supervision and Administration Commission, the regulator and nominal shareholder for state-owned enterprises (SOEs), told six foreign banks that SOEs reserved the right to default on contracts, *Caijing* magazine quoted an unnamed industry source as saying in an article published on Saturday.

While the details of the report could not be confirmed, it was Monday's hot topic in financial circles from Shanghai to Singapore as commodity marketers feared that companies holding underwater price hedges could simply renege on the deals, costing banks millions of dollars in profit.

The warning from SASAC follows a series of measures from Beijing this year to crack down on the sale of derivative products by foreign banks to Chinese enterprises, principally big consumers, who bought protection against higher prices last year only to watch the market collapse — leaving them with losses.

Florida's pension lost \$250 million it invested in Stuyvesant Town and Peter Cooper Village, Manhattan's largest rental-apartment complex, the fund's trustees were told.

"We are carrying that investment at zero because the market softened dramatically," Ash Williams, executive director of the State Board of Administration, which oversees \$121.9 billion of pension and other assets, said at a meeting in Tallahassee yesterday.

The SBA bought in 2007 its share of a limited partnership run by Tishman Speyer Properties LP and Blackrock Inc., owners of the property, said Williams, who was hired in October 2008.

Tishman and Blackrock acquired the 80-acre, 11,200-unit Stuyvesant Town and Peter Cooper complex for \$5.4 billion in 2006 at what Williams called "the top of the market."

If indeed China is prodding its companies to default of derivative contracts, the next crisis phase will unfold. And US solons are to blame because they have not enacted the necessary reforms or restructuring, especially concerning the quadrillion derivatives market.

Now China will show the world how to handle the intractable derivative problem. Will the default ploy extend to non-commodity contracts? How many other nations will now tell Wall Street toxic waste peddlers to take a hike? How will Wall Street mark those worthless derivatives? We wonder how JP Morgan's estimated \$60 trillion to \$80 trillion derivative book will be impacted.

We've been warning for months that foreigners are avoiding agency paper. The Fed has been monetizing agencies like crazy as a result. Yesterday the NY Fed announced a change in its monetization policy.

Prior to August 31, 2009, purchases were focused on off-the-run securities in that category. Going forward, purchases will include on-the-run securities in that category. This change represents a technical adjustment designed to mitigate market dislocations and to promote overall market functioning. Over the course of the program, the Federal Reserve may change the scope of purchasable securities.

In other words, the US is having difficulty placing agency paper, so the Fed must monetize new issuance.

While the usual suspects heralded the moderately better than expected ISM (52.9 vs.50.5), most ignored the explosion in prices paid to 65 from 55 (57.8 expected).

As the largest banking companies try to unload thousands of distressed properties, they are using a controversial practice that can win them new loans and has competitors crying foul.

It is called "cross-qualifying," and it works like this: Say that Lender A is selling a repossessed property, or has a troubled borrower who wants to sell the home through a short sale. Someone makes an offer to buy the house and has been pre-qualified for financing from Lender B. But Lender A will not consider the bid unless the prospective buyer qualifies for one of its mortgages.

Acceptance of the purchase offer is not conditioned on actually getting a loan from Lender A. It just provides assurance that the deal can close even if Lender B backs out. But another motivation for requiring a “cross-qual,” many industry insiders say, is to drive origination business to Lender A.

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