

The privately owned Federal Reserve runs our Country

Unemployment on the rise

By [Bob Chapman](#)

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Last week the Dow fell 1.6%; S&P fell 1.9%; the Russell 2000 fell 3.3% and the Nasdaq slipped 1.8%; cyclicals fell 3.6%; transports 1.5%; consumers 1.6%; utilities 1.4%; banks 2.3% and broker/dealers 2.8%. High tech fell 1.8%; semis 1.8%; Internets 2.1% and biotechs 2.7%. Gold bullion fell \$19.50 and the HUI gold index fell 8.4%.

Two-year T-bill rates fell 10 bps to 0.82% and the 10's fell 21 bps to 3.30%. Ten-year German bunds fell 8 bps to 3.26%.

Freddie Mac pegged the 30-year fixed rate mortgage off 12 bps at 5.20%. The 15's fell 8 bps to 4.6% and the 1-year ARMs fell 12 bps to 4.82%.

Fed credit declined \$9.5 billion to \$1.977 trillion, off \$269 billion ytd and up 123% yoy. Fed foreign holdings of Treasury and Agency debt jumped \$20.5 billion to a record \$2.787 trillion. Custody holdings for foreign central banks rose 20.7% ytd, and were up 18.6% yoy.

M2 narrow money supply fell \$36 billion having expanded 9.1% yoy. Total money market fund assets rose \$4.4 billion to \$3.668 trillion.

This past week the dollar index, the USDIX, was unchanged at 80.26.

During the week of the G-8 meeting the US pushed the dollar up. They attempted the same with the stock market unsuccessfully and successfully drove bond yields down and bond values up. They also smashed commodities, especially oil and pressured gold and silver lower. The problem is they cannot continue. They do not have the power to do so. Those suppressed markets will reverse and rise.

The dollar was on the verge of breaking below 79 on the USDIX, so the ECB announced they would pour \$613 billion into 1-year deposits. This was to encourage bank lending in the eurozone, which gained by only 1.8% in the first half of the year. The US banks had a similar experience.

One thing is for certain and that is that low interest rates encourage carrying long gold and silver positions. That is true for commodities as well, which in the second quarter rose. Oil gained 45%; copper 28% and wheat 20%. Gold and silver were not allowed those gains by our government. While holding interest rates at 1% the ECB now has M3 increasing at a paltry 3.7%. In our mind there is no question that the eurozone is about to slip into severe depression. The 16 economies are being strangled to death.

The Democrats playing politics have made a huge mistake with the stimulus package and we noted that in January. We predicted 90% of the personal stimulus would be used to reduce debt. As it turns out 92% will probably be the number. The consumer did not perform up to the desires of Washington's elitists. We said in January because of that another \$2 trillion package would be needed and discussion began last week. Most of the current package will be spent next year in the election year. Greed has foiled any kind of a recovery this year. If the politicians had not politicized the \$787 billion package, GDP would not have been a minus 5.5% in the first quarter. We expected minus 5% for the second quarter and minus 4 for the rest of the year. They missed the boat. U6 unemployment is 20.5%. Had these politicians not been so stupid unemployment, U6, could have been held at 14.8%.

We have a situation socially similar to that of the early 1990s, only this time it is twice as bad. Blue-collar workers know they won't get their high paying jobs back, because our transnational elitist conglomerates have stolen them. They not only took our jobs, they took our dignity as well, and are hiding their profits offshore depriving our Treasury of badly needed revenue. Unemployment will continue to deteriorate thru to the end of the year and next year will only hold its own. That is going to see the rebirth of the militia movement in America. Such a movement gained momentum in the early nineties, but it faded as the economy improved. This time, improvement is not on the way - only more unemployment and inflation are.

If you surgically remove the birth/death ratio U6 was 20.5% last month as we lost not 467,000 jobs, but in reality 652,000 jobs, and the workweek fell to 33 hours. In little over two years we have lost more than 9 million jobs. We have almost 15 million unemployed, which in great part is the result of free trade, globalization, offshoring and outsourcing over the last 8-1/2 years. Those jobs will never return unless we erect tariffs and start taxing corporate profits that are held offshore. We are doomed to be a third world nation enveloped in a fascist police state and we can assure you that you won't like it one bit. During the second quarter to make things more binding wages fell 1.6% due to slave labor goods being imported into our country. As we quoted before, even the Centre for Labor Market Studies in Boston says unemployment is 18.2%.

The reason militias will gain major traction is that the workers now know their jobs are gone forever, which leaves them in desperation. The feeling already out there is worse than it was in the 1930s. Like in the 1930s savings are being depleted and real estate is still falling and people are becoming destitute. This social condition is one of destitution. The cushion people once had is gone.

You saw the riots in Europe earlier this year. Unemployment is almost 19% in Spain and 37% among the young, many of whom have university degrees. Latvia is close to 16% and Germany is looking at a 35% increase in unemployment between now and the end of 2010.

Social justice is absent in our country and in other countries. The rich are getting richer and the poor, poorer caused mainly by globalization. If workers do not get justice there will be violence worldwide. You can take that to the bank, if it is still there.

Goldman Sachs is in big trouble, but the media refuses to dig and get the same story the alternative media has dug up. As usual the SEC is looking in a different direction, as far away from the real action as possible.

The latest allegation is front-running their own client orders, never mind everyone else's. As

we reported earlier they are using a government created program. A good question is are they front-running for both themselves and the government, which might make it semi-legal? Of course nothing can be semi legal. It is either legal or it isn't. Goldman has been confronted on the issue and refuses to answer detailed questions, just saying, "your suggestion that we monitor our website to facilitate front-running is untrue and offensive." Unfortunately, this confirms our worst suspicions. If we were using the Goldman 360 portal for trading we'd stop until we at least investigate to make sure we were not being cheated. Where may we ask is the SEC? Camping out on the moon most likely. This episode is just beginning. This is another example of cross corruption and arrogance by both our government and Goldman.

Democrats want to prevent the use of non-public information to enable investment decisions. The bill's sponsors are Rep. Brian Baird (D-WA) and Louise Slaughter (D-NY). They propose lawmakers and their staffs would be prohibited from trading in stocks, bonds and commodities markets based on insider knowledge gleaned from their everyday duties on Capital Hill. It would also prohibit transfer of such information to other parties, who would then use the information for trading purposes.

Insider dealing is going on, but it is not easy to detect. Washington is a town that trades on information and so the likelihood that it is happening is almost a certainty. This has probably been quite evident during the government bailouts of the past two years.

Public opinion of elected representatives is low enough as it is, so the mere appearance of abuse of power at this critical stage could lead to further erosion of public trust.

The SEC has jurisdiction over trades of non-public information gotten through corporate channels, but not through government channels. That is quite a gaping loophole. There are studies that indicate that elected representatives do considerably better in the market than the average public investor.

The question is will Congress police itself and the answer is in all probability no. Just like campaign contributions and lobbying should end, but they won't end. Representatives and senators don't want to lose their gravy train for reelection. These people go to Washington to get rich. Nothing is going to change. Most of Congress are bought and paid for.

We hope people are starting to realize that the privately owned Federal Reserve runs our country, not our branches of government. The new proposal to give the Fed new powers is the worst possible thing that could be happening to our country. It is a total centralization of banking and financial power.

All financial services would be overseen by the same characters that we see each day that evolve through the revolving door from Wall Street to Washington. The Fed would supervise all firms that are involved in finance based on the premise that they could be a threat to the stability of the financial system. There would be another new czar to supervise all federally chartered banks. All current regulatory loopholes would be closed so that the Fed would have total control of all financial firms. In addition, all hedge fund and private equity advisors would come under Fed control. This is nothing less than total financial control of our lives. It leaves government as an afterthought.

As the Fed wraps this up in the US the same is being done in Europe and worldwide, so it can be harmonized. We would become part of an international structure called the Financial

Stability Board, which you have seen pushed hard in England and France.

The FSB will have a tight grip on matters financial worldwide and in that endeavor will in part relieve us of our sovereignty. This move is similar to the imposition of a world currency or a world penal system where you would be imprisoned for disagreeing with the new world order. The FSB rules are to control the world financial system under one head and make it easier to implement a world currency. This will be a total restructuring of the financial system. Central banks will control everything financial worldwide and answer to a central committee at the FSB.

Meredith Whitney, who exposed the scam that was Citigroup two years ago, said on CNBC that Goldman Sachs looked good and the stock rose. She mentioned nothing about the stolen Goldman-US government Program to rig the markets. She also predicted an official unemployment rate of 13% to 14% and needless to say the market rallied.

CIT Financial, a lender to a million small and mid-sized businesses is preparing for bankruptcy after failing to get taxpayer funds. Our guess is the Treasury will save them and we'll get to pay for it. They have a \$1 billion payment due in August, and cannot make it without help. It has already received \$2.3 billion from the Troubled Asset Relief Program. Their investment grade is junk.

The Goldman Sachs's proprietary software was launched in May 2007 at the same time Mr. Aleynikov, the accused data thief, was hired by Goldman. In the following year the trading desk broke all records. This was highly unusual in such a bad market; yet, the SEC chose not to investigate.

The June budget deficit was \$94.32 billion versus a surplus of \$33.55 billion year-on-year.

BusinessWeek, the McGraw-Hill Cos. magazine that lost 30 percent of its advertising revenue in the second quarter, is up for sale, according to a person close to the situation.

The Obama administration is open to the idea of taxing the wealthiest Americans to pay for healthcare reform, health secretary Kathleen Sebelius suggested yesterday as the House of Representatives prepares to incorporate such a plan in its draft healthcare bill.

Congress is gearing up to tackle healthcare before it leaves for recess in August, although the timetable has been slipping amid wrangling over how reform should be paid for and whether it should include a [public insurance option](#).

Democrats in the House will present a bill as soon as today proposing a 1 per cent surtax on couples with a joint income of more than \$350,000, rising to as much as 3 per cent on those earning more than \$1m.

They estimate this will raise about \$540bn over 10 years - half the expected cost of reforming the system. The rest would be covered by lower spending on Medicare, the programme for the elderly, and other savings.

The plan has drawn [heavy fire from Republicans](#), and Democrats in the Senate will probably propose a different plan. But Ms Sebelius said on CNN: "I think everything is on the table and discussions are under way," adding: "I think the bottom line is: it's got to be paid for."

Construction spending on offices, retail centers and hotels is likely to fall 16 percent this year and 12 percent in 2010, more than previously forecast, the American Institute of Architects said.

Rising unemployment and reductions in business spending prompted the Washington-based institute to cut its outlook from January, when it predicted non-residential construction spending would drop 11 percent this year and 5 percent in 2010.

[CIT Group Inc.](#), the century-old lender to 950,000 businesses that has been unable to persuade the Federal Deposit Insurance Corp. to guarantee its debt sales, hired bankruptcy specialist Skadden, Arps, Slate, Meagher & Flom LLP as an adviser amid a plunge in its stock and bonds.

The FDIC is concerned that standing behind CIT debt would put taxpayer money at risk because the company's [credit](#) quality is worsening, said people familiar with the regulator's thinking who declined to be identified because the talks are private. The FDIC has backed \$274 billion in bond sales under its Temporary Liquidity Guarantee Program since Nov. 25.

"Skadden is one of the principal law firms representing CIT," [Curt Ritter](#), a spokesman for New York-based CIT, said in an e-mail. "They represent the firm on a wide variety of corporate matters. CIT will not comment on any specific aspect of their engagement."

The Wall Street Journal, citing people it didn't identify, said the hiring comes as CIT prepares for a possible bankruptcy filing. New York-based Skadden is known for its work in mergers and acquisitions and bankruptcies. The firm represented BHP Biliton Ltd., the world's largest mining company, in its \$150 billion proposed acquisition of Rio Tinto, and advised Circuit City Stores Inc. in its bankruptcy.

The federal agency, run by Chairman [Sheila Bair](#), is in discussions with CIT about how the lender can strengthen its [financial position](#) to get approval, including raising capital, said one of the people. CIT's measures to improve its credit quality, such as by transferring assets to its bank, have been insufficient, the person said.

CIT's \$500 million of floating-rate notes due in November 2010 fell 3.5 cents on the dollar yesterday to 70 cents, according to Trace, the bond-price reporting system of the Financial Industry Regulatory Authority.

Credit-default swaps on CIT rose 2.5 percentage points to 37 percent upfront, and earlier reached 38 percent, according to broker Phoenix Partners Group. That's in addition to 5 percent a year, meaning it would cost \$3.7 million initially and \$500,000 annually to protect \$10 million of CIT debt for five years. The upfront cost reached the highest since Oct. 17, when it climbed to a record 41.5 percent, according to CMA DataVision prices.

The world's most affluent nations will take decades to work off the biggest buildup in debt since World War II. The political costs may be permanent, laid bare at this week's Group of Eight summit of leading industrial powers. Bank bailouts and recession-fighting measures will explode the debt of the advanced economies to at least 114% of gross domestic product in 2014, more than triple the 35% of the main emerging economies including China, the International Monetary Fund forecasts. The run-up in debt has

hastened a power shift that is sapping the industrial world's authority to impose its economic doctrine, currency arrangements or greenhouse-gas reduction strategies. Even some G-8 officials acknowledge that the group has lost its grip amid the global recession they spawned. The eight-nation forum is 'a lot less relevant given its makeup and given developments in the world,' French Finance Minister Christine Lagarde said. Big players, like emerging economies, India, China or Mexico, are invited, but they're given only a jump seat outside of the main summit.

Government insured home loans jumped to 36 percent of all U.S. mortgage applications in June, the highest since 1990, the Mortgage Bankers Association said. Federal Housing Administration and Veterans Administration loan applications increased in market share from 25.7 percent in May and from 27 percent a year earlier, the Washington-based trade group said today in a statement.

A record 33.8 million people received food stamps in April, up 20% from a year earlier, as unemployment surged toward a 26-year high. It was the fifth straight month of record participation in the Supplemental Nutrition Assistance Program, according to the U.S. Department of Agriculture, and up 1.8% from the prior month. Total spending was \$4.5 billion, up 19% from the previous all-time high reached in March, the USDA said.

U.S. office vacancies rose to the highest in four years in the second quarter as job losses mounted and demand for space declined, Reis Inc. said. The vacancy rate increased to 15.9% from 13.2% a year earlier.

Vacancies at U.S. retail properties rose in the second quarter to the highest in at least a decade, Reis Inc. said. Shopping center vacancies climbed to 10% from 8.1% a year earlier... Mall vacancies increased to 8.4% from 6.3% a year earlier.

The Detroit Public Schools may have no choice but to file for Chapter 9 bankruptcy, which would make it the first big-city school district to use bankruptcy court to avoid paying millions to vendors, employees and bondholders, experts said Thursday.

62% Oppose Federal Bailouts for State Budget Problems ...just 20% of adults favor bailing out financially troubled states.

At one of our dinners, Milton recalled traveling to an Asian country in the 1960s and visiting a worksite where a new canal was being built. He was shocked to see that, instead of modern tractors and earth movers, the workers had shovels. He asked why there were so few machines. The government bureaucrat explained: "You don't understand. This is a jobs program." To which Milton replied: "Oh, I thought you were trying to build a canal. If it's jobs you want, then you should give these workers spoons, not shovels."

House Democrats plan to pay for their healthcare legislation with a big tax increase on wealthy households, aiming to raise \$540 billion over the next decade with a package of surtaxes on families making \$350,000 or more.

The tax increase is the financial cornerstone of legislation that seeks to make good on President Barack Obama's call to expand health-insurance coverage to tens of millions of uninsured Americans, while attempting to offset the cost and avoid expanding the federal budget deficit.

Upper-income families currently face a top income-tax rate of 35%, though that is

scheduled to rise to 39.6% in 2011...married couples making \$350,000 would also be subject to a 1% surtax to cover the health plan. The levy would rise to 2% for those making above \$500,000 and 3% for those with incomes of \$1 million or more. Congressional aides said the surtax rates would go higher as soon as 22%, 3% and about 5% for each of the three levels. [Can you say, 'Great Depression II?']

As many as 650,000 workers may exhaust even their extended benefits within three months, said Maurice Emsellem, policy co- director for the National Employment Law Project, a nonprofit advocacy group headquartered in New York.

A United Nations agency is quietly drafting technical standards, proposed by the Chinese government, to define methods of tracing the original source of Internet communications and potentially curbing the ability of users to remain anonymous.

The U.S. National Security Agency is also participating in the "IP Traceback" drafting group, named Q6/17, which is meeting next week in Geneva to work on the traceback proposal. Members of Q6/17 have declined to release key documents, and meetings are closed to the public.

The potential for eroding Internet users' right to remain anonymous, which is protected by law in the United States and recognized in international law by groups such as the Council of Europe, has alarmed some technologists and privacy advocates. Also affected may be services such as the [Tor](#) anonymizing network.

"What's distressing is that it doesn't appear that there's been any real consideration of how this type of capability could be misused," said Marc Rotenberg, director of the [Electronic Privacy Information Center](#) in Washington, D.C. "That's really a human rights concern."

Nearly everyone agrees that there are, at least in some circumstances, legitimate security reasons to uncover the source of Internet communications. The most common justification for tracebacks is to counter distributed denial of service, or DDoS, attacks.

But implementation details are important, and governments participating in the process - organized by the International Telecommunication Union, a U.N. agency - may have their own agendas. A document submitted by China this spring and [obtained by CNET News](#) said the "IP traceback mechanism is required to be adapted to various network environments, such as different addressing (IPv4 and IPv6), different access methods (wire and wireless) and different access technologies (ADSL, cable, Ethernet) and etc." It adds: "To ensure traceability, essential information of the originator should be logged."

The Chinese author of the document, Huirong Tian, did not respond to repeated interview requests. Neither did Jiayong Chen of China's state-owned [ZTE Corporation](#), the vice chairman of the Q6/17's parent group who suggested in an April 2007 meeting that it address IP traceback.

A second, [apparently leaked ITU document](#) offers surveillance and monitoring justifications that seem well-suited to repressive regimes:

A political opponent to a government publishes articles putting the government in an unfavorable light. The government, having a law against any opposition, tries to identify the source of the negative articles but the articles having been published via a proxy server, is

unable to do so protecting the anonymity of the author.

Goldman Sachs Group Inc ([GS - News](#)) executives sold almost \$700 million worth of stock since the collapse of rival Lehman Brothers last year, the Financial Times said on Monday.

The newspaper said that most of the stock sales took place while the biggest U.S. investment bank was bailed out by the government with \$10 billion of taxpayer money, according to filings with the Securities and Exchange Commission.

A Goldman Sachs spokeswoman declined to comment.

Goldman executives sold stock worth \$691 million between September 2008 and April 2009, more than the \$438 million in stock sold between September 2007 and April 2008, when the average share price was substantially higher, the Financial Times said.

The stock sales peaked between December and February, when Goldman Sachs' shares traded near record lows, the newspaper said.

Sales at U.S. retailers rose in June, helped by incentives at car dealers and higher gasoline prices that boosted service-station receipts.

The 0.6 percent increase was larger than forecast and the biggest gain since January, Commerce Department figures showed today in Washington. Purchases excluding automobiles and gasoline dropped for a fourth consecutive month.

Consumers are seeking discounts at chains such as TJX Cos. and 99 Cents Only Stores, and are favoring necessities such as food and fuel over discretionary items. While the increase in total purchases reinforces forecasts for economic growth to resume this quarter, analysts anticipate job losses and falling home values will weigh on household budgets and mute a recovery.

Prices paid to U.S. producers rose in June by twice as much as anticipated, led by surging gasoline costs.

The 1.8 percent increase in prices paid to factories, farmers and other producers followed a 0.2 percent gain in May, the Labor Department said today in Washington. Excluding food and fuel, so-called core prices rose 0.5 percent.

Tepid consumer spending and business investment is forcing companies to boost incentives or keep a lid on prices in order to move merchandise. A surge in energy costs in recent months is abating in the current month, indicating inflation may subside in coming months.

[Goldman Sachs Group Inc.](#)'s second- quarter profit exceeded analysts' estimates as record trading and stock underwriting led the company to its highest quarterly profit.

Net income in the three months ended June 26 was \$3.44 billion, or \$4.93 a share, the New York-based bank said today in a [statement](#). That surpassed the \$3.65 per-share average estimate of 22 analysts surveyed by Bloomberg and compared with \$2.09 billion, or \$4.58 per share, in last year's second quarter.

[Eliot Spitzer](#), the former New York governor and attorney general, said U.S. banks made a “bloody fortune” while receiving taxpayer money without a proven benefit to the wider economy.

Politicians understand the “populist rage” with excesses in the financial industry and in this case the “public is right,” said Spitzer in a Bloomberg Television interview today. “We have saved financial services, we have not created a single job. We are still bleeding jobs.”

As New York attorney general, Spitzer was known as “the sheriff of Wall Street.” He changed business practices and collected billions of dollars in settlements from financial corporations such as Merrill Lynch & Co., [American International Group Inc.](#) and Marsh & McLennan Cos. He later became governor, resigning in March 2008 after he was identified as a client of the Emperors Club VIP, a high-priced prostitution ring.

Spitzer said new rules proposed by President [Barack Obama’s](#) administration are irrelevant because regulators failed to enforce existing regulations.

“Regulatory agencies already had the power to do everything they needed to do,” he said. “They just affirmatively chose not to do it.”

“You don’t need new regs to do it, you just need the will to do what they were supposed to do,” he said.

Former Federal Reserve chairman [Alan Greenspan](#) had “avowed a theory of hands off” while he oversaw the financial markets and didn’t consider himself a regulator, Spitzer said.

“What we’re seeing now is a new regulatory spirit,” he said.

Spitzer said the lessons of the financial crisis will only be remembered over a short period of time.

“Over and over we fall into the same trap,” he said. “Ten years from now we will have forgotten.”

May business inventories down 1%.

U.S. national chain store sales fell 1.7% in the first week of July versus the previous month, according to Redbook Research’s latest indicator of national retail sales released Tuesday.

The latest numbers are starkly different from recent weeks because they don’t include Wal-Mart Stores Inc. (WMT), which said last month it would no longer provide monthly sales figures.

The fall in the index was compared to a targeted 0.9% drop.

The Johnson Redbook Index also showed seasonally adjusted sales in the period were down 5.7% compared with July 2008, which compares to a targeted 5% decline.

Redbook said on an unadjusted basis, sales in the week ended Saturday were down 5.7% from the same week in 2008 after a 4.3% decline the prior week.

Fast-forward to today. it's early June in Washington, D.C. Barack Obama, a popular young politician whose leading private campaign donor was an investment bank called Goldman Sachs – its employees paid some \$981,000 to his campaign – sits in the White House. Having seamlessly navigated the political minefield of the bailout era, Goldman is once again back to its old business, scouting out loopholes in a new government-created market with the aid of a new set of alumni occupying key government jobs.

Gone are Hank Paulson and Neel Kashkari; in their place are Treasury chief of staff Mark Patterson and CFTC chief Gary Gensler, both former Goldmanites. (Gensler was the firm's co-head of finance.) And instead of credit derivatives or oil futures or mortgage-backed CDOs, the new game in town, the next bubble, is in carbon credits – a booming trillion dollar market that barely even exists yet, but will if the Democratic Party that it gave \$4,452,585 to in the last election manages to push into existence a groundbreaking new commodities bubble, disguised as an “environmental plan,” called cap-and-trade.

The new carbon-credit market is a virtual repeat of the commodities-market casino that's been kind to Goldman, except it has one delicious new wrinkle: If the plan goes forward as expected, the rise in prices will be government-mandated. Goldman won't even have to rig the game. It will be rigged in advance.

Steven Rattner, the Wall Street executive who joined the Obama administration to help restructure General Motors Corp. and Chrysler LLC, is quitting to return to “private life,” the Treasury Department said.

Ron Bloom, another member of the Treasury's auto task force, will run the group, said Secretary Timothy Geithner in a statement. With GM and Chrysler emerging from bankruptcy, “we enter a new phase” of the government's involvement in the industry, the statement said. This is how they duck in and out nasty jobs.

President Obama's “car czar” is trading in his job at the same time a New York state probe into his hedge fund intensifies.

Steve Rattner, co-founder of Quadrangle Group, is stepping down as the head of the [White House](#)'s auto task force after just five months.

He'll be replaced by his No. 2, Ron Bloom.

The departure comes as Quadrangle faces scrutiny by Attorney General Andrew Cuomo into allegations Rattner's firm gave kickbacks to secure state pension fund business.

The stories reporting the June budget deficit note that the US deficit has topped \$1 trillion for the first time. This is patently deceptive. The US deficit has been running over \$2 trillion for the past few weeks. ‘Treasury Gross Public Debt’ y/y growth has been over \$2T for the past few weeks. This is the amount of debt that has been issued. It is not some fantasy accounting number issued by government toadies.

Arizona hometown grocer Bashas' Supermarkets Inc. filed for Chapter 11 bankruptcy protection late Sunday, hoping to buy time and money to ride out the recession.

Executives at the Chandler-based string of 158 Bashas', Food City and AJ's Fine Foods markets (156 in Arizona) say the company has been squeezed to the breaking point by tight credit conditions, aggressive competitors and by increasingly cost-conscious

consumers who are buying beans and pasta instead of steak.

Officials said Sunday that they would close 10 Bashas' and Food City stores July 21. Each store employs about 75 to 150 people depending on its size, so the closures potentially could mean layoffs for approximately 1,000 people.

US Airways says it will cut 600 ground jobs this fall because of the slow economy.

The airline says it will close its Las Vegas US Airways Club and reduce the staff at its club in Phoenix. It will also shift to outside contractors for ramp service work in nine stations, mostly those served by US Airways Express regional carriers.

New York Attorney General Andrew M. Cuomo has stepped up his investigation of an investment firm founded by the former head of the Obama administration's autos task force, with authorities engaging in discussions that would be "a prelude to any settlement talks," according to a source close to the case.

Although talks between law enforcement and representatives of the Quadrangle Group — founded by Steven Rattner, who abruptly resigned Monday from the auto task force — have intensified in recent weeks, no settlement is imminent, the source said.

"There have been no discussions of specific terms of settlement," said the source, who spoke on condition of anonymity because the investigation is ongoing. "The discussions have concerned the nature of the case."

Cuomo's office and the Securities and Exchange Commission have been investigating for two years the use of middlemen by Wall Street firms to win lucrative business from major public pension funds. The probe centers on millions of dollars in payments made by Quadrangle and other firms to middlemen who helped the firms win investments from the pension funds of New York state and other local governments.

In SEC filings, a "senior executive" at Quadrangle, whom sources have identified as Rattner, is described as having arranged a \$1 million-plus payment to a middleman. That middleman, Hank Morris, along with several others, has been criminally charged. Morris has denied any wrongdoing.

Any eventual settlement would be to avoid civil charges. Sources familiar with the investigation said criminal charges against Rattner or Quadrangle are unlikely, although civil charges remain a possibility.

The cost of living in the U.S. rose more than forecast in June, led by a jump in energy costs that overshadowed slower price gains for other goods.

The consumer price index increased 0.7 percent after a 0.1 percent advance in May, the Labor Department said today in Washington. Excluding food and energy costs, the so-called core index rose 0.2 percent. Compared with a year earlier, prices fell 1.4 percent, the biggest drop since January 1950.

Manufacturing in the New York region shrank this month at the slowest pace in more than a year as orders climbed by the most since the recession began.

The Federal Reserve Bank of New York's July general economic [index](#) climbed to

minus 0.6, the highest level since April 2008, from minus 9.4 the prior month, the bank said today. Readings below zero for the Empire State index signal manufacturing activity is contracting.

Investor sentiment for U.S. stocks fell to the lowest level since March and confidence in equities around the world declined as prospects for the global economy worsened in June, according to a survey of Bloomberg users.

The Bloomberg Professional Confidence Survey's measure for the [Standard & Poor's 500 Index](#) fell 14 percent to 39.59 in July, its second consecutive drop. Readings below 50 show participants expect equity prices will decrease in the next six months. The 2,088 respondents also said the outlook has worsened for stocks in [Brazil](#), [Japan](#), Spain, [Switzerland](#) and the U.K., the broadest sentiment slump in four months.

The [MSCI World Index](#) of 23 developed nations declined 4.7 percent after it became the most expensive compared with profits since 2004 and the [World Bank](#) said June 22 that the recession will be deeper than previously forecast. In the U.S., the jobless rate reached a [26-year high](#) and consumer optimism unexpectedly fell.

That 1% fall in business inventories in May was the 9th consecutive decline; April fell 1.3%. The inventory of motor vehicles and parts fell 4.2% in May, the biggest decrease since a 5.4% drop in July 2005. Business sales fell 0.1%. The inventory-to-sales ratio fell to 1.42 months.

The July IBD/TIPP Economic optimism was 49.0 versus 50.8 in June.

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