Financial Machinations: The Global Debt Crisis is Destroying the Economic Structure

Market Trends

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Global Research, October 23, 2009
The International Forecaster 21 October 2009
Region: USA
Theme: Global Economy

Last week the Dow added 1.3%, the S&P 1.5%, the Russell 2000, 0.2% and the Nasdaq 100, 0.7%. Cyclicals rose 2.6%; transports 3.8%; consumers 1.7%; utilities 1.3%, as banks fell 0.3% and broker/dealers fell 0.6%. High tech fell 0.2% semis 1.1%; bitoechs 1.9% and Internets rose 0.2%. Gold bullion rose $3.00 and the HUI was unchanged, but up 47.5% on the year. The USDX, the dollar index fell 1.1% to 75.62.

The 2-year T-bills fell 2 bps to 0.83%, the 10-year notes rose 2 bps to 3.41% and the 10-year German bund added 8 bps to 3.28%.

Freddie Mac 30-year fixed rate mortgages rose 5 bps to 4.92%; the 15's rose 4 bps to 4.37% and the one-year ARMs jumped 7 bps to 4.60%. The 30-year fixed jumbo fell 6 bps to 6.00%.

Federal Reserve credit declined $12.9 billion, up 21% yoy. Fed foreign holdings of Treasury/Agency debt rose $4.1 billion to a record $2.865 trillion. Custody holdings for foreign central banks expanded at a 17.5% rate ytd, and yoy 15.2%.

M-2 narrow money supply fell $23.3 billion to $8.341 trillion, that is 5.9% yoy.

Total money market assets dropped $42.3 billion to $3.404 trillion. They have declined $427 billion ytd, or 14.1% annualized.

The charade in NYC and Washington goes on. There is no question that our government is controlled by the unelected that lurks behind the scenes or are appointed as bureaucrats to run our country. It was never more evident than when administrations changed last January. Team A replaced Team B, all of whom just happen to be members of the Council on Foreign Relations, the Trilateral Commission and the Bilderberg Group. There is no debate. There is only one plan and that is for one-world government. These are the Illuminists who will Shepard us into final bondage. This is what our government is all about today and has been since WWII.

The heart of the elitist control mechanism is the Federal Reserve and the Treasury Department. Control of our country emanates from these two entities. They control the purse strings of our nation. They allow us to pay for our own destruction. This is achieved by taxation and debt. The system in place has been used for centuries to keep control over people. The elitists want total power over us and all the inhabitants of the world.

Their plans to bring down the world's economic and financial structure is well underway. The problem is that the public has begun to discover what they are up too via talk radio, the Internet and publications such as the International Forecaster. That has caused the elitists to accelerate their plans and that has opened the window of opportunity for us.

This is why now it is the appropriate time to pass HR1207 and SB604, bills to audit and investigate the Federal Reserve. Once the public discovers what these elitists have been doing to the American people for almost a century, they will disband the Fed and turn its job of monetary policy back to the Treasury where it was placed by our Constitution. This way we will have control and transparency. The next step will be to close the revolving door between Wall Street and Washington.

It has been two years since the beginning of the credit crisis and the breakdown of our economic and financial structure. The plan by the elitists since then has been to keep the system functioning as long as possible so that they can continue their massive frauds and corruption; or until the time is ripe to allow the system to collapse. These plans are ably assisted by 95% of our House and Senate who are bought and paid for. The corruption is so widespread that investigations do not take place and the guilty are protected and at worst pay a fine.

Due to these machinations the America we have known is gone. Our country is run by thugs in $3,000 suits with Ivy League degrees.

Most Americans do not understand what is going on or don't care to know. Most are ill-educated and do not really and a chance of comprehending what is going on. That is compounded by drugs and alcohol and a steady stream of media propaganda and brainwashing produced by NYC and Washington. Our daughter teaches the fourth grade and 20 of 23 students are not passing. They are split three ways: white, black and Spanish speaking. Then there is no 'Child Left Behind,' which will make sure they pass summer school and when they graduate they will be functionally illiterate. It doesn't get much worse than this. When we went to school one or maybe two out of 30 wouldn't pass and they were kept back for a year. It is outrageous. They spend all their time studying for federal government mandated tests, and learn little else. Our three grandchildren read one to four extra books a week and fortunately really excel in their studies. It can be done, but it takes lots of work and dedication something that most parents do not have time for. This in part is what is responsible for America's failure and lack of leadership. Leadership, which is totally in the hands of the wealthy Illuminists. If it is any consolation the rest of the world isn't doing much better.

The geniuses, the masters of the universe, have a broken system. This time the system they have deliberately destroyed cannot be resurrected. Due to talk radio, the Internet and publications such as the IF they had to accelerate their program for on-world government and they are scrambling, hoping they'll be successful, and unscathed. We will make sure they'll be no chance of that.

As a result of these machinations America is at the mercy of its creditors and for all intents and purposes is bankrupt. The only thing left holding America together is its imperial armies that eventually will collapse for lack of funding. Foreigners are not going to stand for monetization indefinitely. Yes, the players know the system has failed, and some have already broken ranks. If they had not Forex assets in sovereign reserves would not have fallen from 64.5% to 62.8% over the past nine months, as proof of that.

We have told you where we have been headed over and over again for more than ten years and we have been almost totally right unfortunately. If we do not stop these monsters we and our ancestors will live in bondage for ever. That is why passage of HR1207 and SB604 are so important. We have to drive a stake through the heart of the Illuminist machine. That heart is the Fed. If we are unsuccessful we are doomed to chaos and perhaps revolution. Americans had best wake up and snap out of denial.

Most analysts try to figure out what others within the financial and economic sphere are doing. Unfortunately they are burdened by playing within the system. They cannot see what is really going on because for one reason or another they are forced to frame their results within the inner sanctum of the Illuminists. This is the cover that is used for deliberately destroying nations. These ideas cannot simply be avoided. You would think reading history that all these brilliant people wouldn't be deceived, but they have been. Every time, what they are doing has been tried, has been a failure. Deliberate collapses, destroyed currencies, social chaos and revolution. During the French Revolution 300,000 people such as these lost their heads. Perhaps this time it will be 3 million. Inflation can only be controlled by deflation and deflation is totally uncontrollable. Misguided isn't the word for it. Smug and arrogant they'll again be proven wrong and unfortunately we will all pay a terrible price.

The progenitors of this false economic policy, Keynesianism, have brought the distortion of price mechanisms, created unlimited opportunities for speculation and they have thrown all discipline to the wind. This is the basis for our current Federal Reserve System, which is the engine for such a philosophy. As a result of this policy we will be entering hyperinflation next year and the dollar will continue to fall in value.

Even though gold and silver are suppressed, gold hit a new high this past week. The CRB index did as well with oil leading the way. This is all a manifestation of coming hyperinflation and a falling dollar.

The Keynesians are pumping the money supply and monetizing domestic and foreign debt at a wild pace. The deflationary undertow continues strong as residential and commercial property prices continue their decent. The final impact is still two or more years away.

There are few financial reports that do not include bogus accounting. The FASB changed the rules last year and allowed mark-to-model accounting. Let's see if they reinstate mark-to-market January 1st. The Basel Accords have been simply ignored and no one discusses them. Exclusive of present on and off balance sheet losses, banks are going to get hit with more residential foreclosure losses and they will be hit by 35% more commercial losses over the next two years. If nothing else the banks cannot refinance perfectly good loans because they do not have the funds to do so.

The big question for the banks is will the government perpetuate this fraud? We do not know, but we rather think they may for the good of the country. If fraud continues it will be for the benefit of Illuminists who run the banks, brokerage houses, insurance companies and transnational conglomerates. Either way again all they are doing is buying time; the end result will be the same. The banking, brokerage and insurance businesses are still broke. Nothing has been done to fix the underlying problem. There have been no structural changes, just the same old criminality. Any changes are patchwork for the public. Stimulus packages, home loan modification and $250 checks for seniors who will not get a COLA increase for the next three years. It is like the mad hatter has been set loose.

Where are the tariffs on goods and services we so desperately need to bring production and jobs back from the third world? Without them everything else is futile. Offshore tax-free earnings, now some $1.3 trillion, are too juicy for the Illuminists to give up. Then again, what better way to destroy an economy, as we wrote in 1967 in the American Mercury?

Then there is the outrageous scam of terrorism and mindless, endless war to again fill the coffers of the Illuminists and rid the world of useless eaters.

Monetization only makes matters much worse, as we shall see when hyperinflation revisits us next year. In this process the dollar is allowed to collapse and it was planned that way.

Borrowers have sold more than $1 trillion in US corporate bonds in 2009, the fastest pace on record. Citigroup and General Electric were the year's biggest issuers. Sales compare with $873.2 billion in all of 2008, and $1.17 trillion for 2007, the biggest year for bond sales.

The record rally in the price of loans owed by the riskiest corporate borrowers may end a two- year drought in leveraged buyouts. Banks provided almost $7.5 billion of high-yield loans in the U.S. and Europe since July 1 to finance acquisitions, more than double the amount in the three months ended June 30 and more than four times the figure in the first quarter.

Central banks flush with record reserves are increasingly snubbing dollars in favor of euros and yen, further pressuring the greenback after its biggest two-quarter rout in almost two decades. Policy makers boosted foreign currency holdings by $413 billion last quarter, the most since at least 2003, to $7.3 trillion. Nations reporting currency breakdowns put 63% of the new cash into euros and yen in April, May and June, the latest Barclays Capital data show. That's the highest percentage in any quarter with more than an $80 billion increase. World leaders are acting on threats to dump the dollar while the Obama administration shows a willingness to tolerate a weaker currency in an effort to boost exports and the economy. The diversification signals that the currency won't rebound anytime soon after losing 10.3% on a trade-weighted basis the past six months, the biggest drop since 1991.

US foreclosure filings climbed to a record in the third quarter according to RealtyTrac Inc. A total of 937,840 homes received a default or auction notice or were repossessed by banks, a 23% increase from a year earlier.

The Chicago Transit Authority proposed service cuts and boosting some bus and train fares 33% to close a $300 million budget gap prompted by pension obligations and the weak economy.

The volume of delinquent commercial mortgages jumped sevenfold last month as borrowers who got loans with lax terms fail to make debt payments amid sinking real estate values, according to Credit Suisse Group AG. In September, installments on $22.4 billion of mortgages were at least 60 days late, up from $3.2 billion a year earlier. The delinquency rate rose 33 bps to 3.34%.

Even as the economy continues to struggle, much of Wall Street is minting money — and looking forward again to hefty bonuses.

Many Americans wonder how this can possibly be. How can some banks be prospering so soon after a financial collapse, even as legions of people worry about losing their jobs and their homes?

It may come as a surprise that one of the most powerful forces driving the resurgence on Wall Street is not the banks but Washington. Many of the steps that policy makers took last year to stabilize the financial system — reducing interest rates to near zero, bolstering big banks with taxpayer money, guaranteeing billions of dollars of financial institutions' debts — helped set the stage for this new era of Wall Street wealth.

You can't make up stuff like this! Facing jeers over outlandish pay, the CEO of Goldman Sachs stresses the social goods of his firm's business.

Blankfein, speaking at a breakfast conversation hosted by Fortune, emphasized that the investment firm serves "an important social purpose" by channeling pools of money held by pension funds and others to companies and governments around the world…

But Blankfein said principal trading — trades the firm makes for its own account — makes up just a small fraction of Goldman's profits. [Perhaps Blankfein needs remedial math.]

How can Blankfein make such an absurd claim when in the last quarter $10B of Goldie's $12.4B in revenue came from trading? Obviously Blankfein believes people are stupid given his statement that Goldies principal trading makes up a small fraction of Goldie's profits. What a crock! And Al Capone used to run soup kitchens.

Borrow from the Federal Reserve at zero and lend to Treasury for a profit. That's some racket. The banks have no incentive to lend. Most of them still have a significant amount of bad loans sitting on their books that they don't want to recognize as nonperforming. If the banks recognize these bad loans, all the write-offs may force them into bankruptcy. Instead, they hope that over time renegotiated loan terms will eventually allow the borrowers to make their payments. This ordeal could last at least a decade if this cycle is similar to other crises, like Japan's lost decade of the 1990s…banks can earn a huge spread by borrowing virtually unlimited amounts for nothing and lending that same money back to the Treasury.

Wall Street will most definitely get richer again. But a return to easy credit for the average consumer and business is not likely in the near future. The only reason that credit spreads have tightened is because of the extraordinary interventions by the Fed and the Treasury.

Such unprecedented actions by the government have led to speculation over when inflation might get out of control. But why not question whether our current banking system actually makes any sense? Rather than giving capital to businesses with real products and services, Wall Street plays a government- backed shell game, enriching bankers' pockets at everyone else's expense.

The bailout scheme is an arb on taxpayers in which banks effectively borrow from taxpayers at near zero rates and re-lend to them at higher rates. This is a de facto transfer or wealth from taxpayers to banks.

As we have harped for years, Easy Al surreptitiously bailed out the big banks in the early '90s with the carry trade. Now Benito is bailing out the banks overtly and covertly.

Here are some scary data: non-banks hold nearly half of all the "problem loans" in the US, in spite of accounting for just 21 per cent of the total lending pool. What is worse, more than one in three of their loans went sour in 2009, compared with just 11.5 per cent for US banks.

With all the regulatory eyes on banks, their more discreet rivals are quietly stoking up the risk of a new blow-up. In theory, huge hedge funds should be caught by the Fed's ability to police any institution that is deemed "systemic". But in practice, keeping tabs on groups that reveal little about themselves will be tough. And there is always the possibility the epicentre of the next crisis might be a medium-sized hedge fund whose network of trading relationships make them "systemic" – a Bear Stearns of the hedge fund world.

As the clock ticks inexorably towards another disaster, regulators and politicians would do well to spread their net wider than the usual suspects.

The WSJ on BAC: Credit-loss provisions swelled 81%, while the net charge-off rate was up at 4.13% from 1.84% a year earlier and 3.64% in the second quarter. Total nonperforming assets rose to 3.72% from 1.45% in the prior year and 3.31% last quarter.

Average weekly wages have fallen 1.4% this year for private-sector workers through September, after adjusting for inflation, to $616.11, a USA TODAY analysis of Bureau of Labor Statistics data found. If that trend holds, it will mark the biggest annual decline in real wages since 1991.

The bureau's data cover 82% of private-sector workers but exclude managers and some higher-paid professionals.

"Wages are usually the last thing to deteriorate in a recession," says economist Heidi Shierholz of the liberal Economic Policy Institute. "But it's happening now, and wages are probably going to be held down for a long time."

U.S. state tax collections tumbled the most in almost half a century in the second quarter as the economic recession curbed levies on incomes and sales.

The 16.6 percent plunge was the biggest since at least 1963, the Nelson A. Rockefeller Institute of Government said today. For the 12 months to June 30, the fiscal year for most states, revenue declined 8.2 percent, or $63 billion, about twice what states got from the $787 billion U.S. economic stimulus package, the institute said.

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The Association of American Railroads today reported that for the week ending Oct. 10, 2009, rail traffic remains down – originating 273,429 carloads, down 17.2 percent compared with the same week in 2008.

Regionally, carloads were down 15.4 percent in the West and 19.7 percent in the East.

Intermodal traffic, while down 11 percent from the same week last year, showed slight signs of improvement this week. U.S. railroads reported originating 208,941 trailers or containers for 2009 – the highest weekly intermodal volume for 2009. In the year over year comparison, however, container volume fell 4.6 percent and trailer volume dropped 34.9

percent…

For the first 40 weeks of 2009, U.S. railroads reported cumulative volume of 10,655,334 carloads, down 18.1 percent from 2008; 7,556,240 trailers or containers, down 16.6 percent, and total volume of an estimated 1.14 trillion ton-miles, down 17.2 percent. Total volume on U.S. railroads for the week ending October 10 was estimated at 30.8 billion ton-miles, off 16.1 percent from the same week last year.

THE STOCK MARKET HAS BECOME A WEAK-DOLLAR constituency because a declining greenback boosts profits of multinational companies like Coca-Cola (KO) and Intel (INTC). Overall, companies in the S&P 500 get 30% of their revenues from abroad.

Speculators, meanwhile, have been borrowing in dollars to buy a range of financial assets because of near-zero borrowing costs and the prospect of repaying those loans with a depreciated currency. The chances of the Fed moving away soon from a crisis-accommodative stance and near-zero short-term rates probably are small, because doves like Bernanke have the upper hand. There isn't apt to be any political pressure to raise rates.

That's a shame. The Fed and the administration are playing a dangerous financial and fiscal game because ours is a debtor nation that depends on the confidence of overseas creditors. If a resilient U.S. economy can't tolerate 1% or 2% short rates, this country really is in bad shape.

The Federal Deposit Insurance Corp. failed to enforce its own guidelines to rein in excessive commercial real estate lending by at least 20 banks that later collapsed, reports by the agency's watchdog show.

The FDIC's Office of Inspector General analyzed 23 lenders taken over by regulators from August 2008 to March and found that for 20, the agency's examiners didn't identify the issue early enough or should have taken stronger supervisory action after recognizing the banks had dangerously high levels of the loans before they failed. The findings are in separate reports posted this year on the inspector general's Web site. It's often we'll see in our reports that the FDIC detected problems in the bank in a timely fashion, but in some cases forceful corrective action wasn't required by the FDIC to be taken quickly enough, Jon Rymer, the FDIC's inspector general, said in a telephone interview.

The failure to follow up on the 2006 recommendation, that banks avoid letting commercial real-estate holdings exceed 300 percent of capital, has emerged as FDIC Chairman Sheila Bair steps up her effort to expand the agency's role in regulating the financial-services industry.

Regulators have shut down San Joaquin Bank in California, marking the 99th failure this year of a federally insured bank.

The Federal Deposit Insurance Corp. was appointed receiver of San Joaquin Bank, based in Bakersfield, Calif. It had $775 million in assets and $631 million in deposits as of Sept. 29.

The FDIC said Friday the bank's deposits will be assumed by Citizens Business Bank, based in Ontario, Calif. Its five branches will reopen Monday as branches of Citizens Business Bank.

San Joaquin Bank's failure is expected to cost the FDIC's insurance fund $103 million.

Depositors' money is not in danger. The FDIC is backed by the government, and deposits are guaranteed up to $250,000 per account. But the deposit insurance fund has fallen into the red. The FDIC board recently proposed to have U.S. banks prepay about $45 billion of their insurance premiums — three years' worth.

That plan isn't a long-term remedy for the depleted fund. But it would spare ailing banks the immediate cost of an alternative idea: paying an emergency fee for the second time this year. And the FDIC still has billions in loss reserves apart from the insurance fund.

The 99 bank failures this year compare with 25 last year and three in 2007. It's the highest number in a year since 1992 during the savings-and-loan crisis, when 120 institutions collapsed. Closures peaked during that crisis in 1989, when 534 banks were shuttered.

Teen unemployment at record level. Pity the unemployed, but pity especially the young and unemployed.

This August, the U.S. teenage unemployment rate – that is, the percentage of teenagers who wanted jobs but could not find any – was 25.5 percent, its highest level since the government began keeping track of such statistics in 1948. Likewise, the percentage of teenagers overall who were working was at its lowest level in recorded history.

"There are an amazing number of kids out there looking for work," said Andrew M. Sum, an economics professor at Northeastern University. "And given that unemployment is a lagging indicator, and young people's unemployment even lags behind the rest of unemployment, we're going to see a lot of kids out of work for a long, long, long, long time."

Recessions disproportionately hurt America's youngest and most inexperienced workers, who are often the first to be laid off and the last to be rehired. Jobs for youth also never recovered after the last recession, in 2001.

A brutal August

But this August found more than a quarter of the teenagers in the job market unable to find work, an unemployment rate nearly three times that of the nonteenage population (9 percent), and nearly four times that of workers over 55 (6.8 percent, also a record high for that age group). An estimated 1.64 million people ages 16-19 were unemployed.

Many companies that rely on seasonal business, like leisure and hospitality, held the line and hired fewer workers this summer – a particular problem for teenagers.

In Miami, 18-year-old Rony Bonilla spent past summers busing tables at restaurants and working at the Miami Seaquarium. He said he set out to find another job this summer, but dozens of businesses, like Walgreens, Kmart and Chuck-E-Cheese, turned him down. Bonilla said he and many of his friends were unable to find any job offers beyond commission-only employment scams. "I'm looking for anything to pay the bills," he said. "You name it, I applied. And I never even heard from them."

Expecting record unemployment among youth, Congress set aside $1.2 billion in February's stimulus bill for youth jobs and training. As with everything stimulus-related, supporters, like Jonathan Larsen of the National Youth Employment Coalition, say the money has tempered a bad situation, although the overall numbers are dismal.

Economists say there are multiple explanations for why young workers have suffered so much in this downturn, but they mostly boil down to being at the bottom of the totem pole.

Recent college graduates, unable to find higher-paying jobs, are working at places like Starbucks and the Gap, taking jobs once held by their younger peers. Half of college graduates under age 25 are in jobs that do not require college degrees, the highest portion in at least 18 years, Sum said.

Fewer Retiring

Likewise, the reluctance or inability of older workers to retire has led to less attrition and fewer opportunities for workers to move up a rung and make room for new workers at the bottom of the corporate ladder.

Increases in the minimum wage may have made employers reluctant to hire teenagers, said Marvin H. Kosters, a resident scholar emeritus at the American Enterprise Institute.

High teenage jobless rates may also be distorted by other factors. The ability of more young people to rely on family may allow them to be pickier about jobs and therefore to stay out of work longer than they did in previous recessions, said Dean Baker, co-director of the Center for Economic and Policy Research.

Additionally, with more students applying to college, the remaining pool of job applicants may be less desirable to employers.

“Maybe the most employable kids pull out of the labor force, making the numbers for what percent of kids are looking for jobs appear even worse,” said Harry J. Holzer, an economist at Georgetown University and the Urban Institute.

Choosing College

The decision of more young people to attend college, which could help them increase their earning potential later in life, may be one silver lining of the recession, economists say.

Similarly, back when graduating from high school was a rarer achievement, the Great Depression pushed potential dropouts to stay in high school because work was so hard to come by.

But there is a bit of a catch-22: Many college students need to work to pay for college.

Half of traditional-age college students work 20 hours a week, Lawrence F. Katz, an economics professor at Harvard, said. “In today’s labor market, the big margin comes from going on to college, not just graduating high school,” he said. “Unlike the decision to finish high school, that’s not something you can do free of tuition.”

Study: 40% of working-age Californians jobless

On this Labor Day weekend, many Californians find themselves more in need of work than a holiday.

A report released Sunday says two of five working-age Californians do not have a job, underscoring the challenges in one of the toughest job markets in decades.

A new study has found that the last time employment levels among this group were this low was February 1977.

The study was done by the California Budget Project, a Sacramento-based nonprofit research group that advocates for lower- and middle-income families. The report said that California now has about the same number of jobs as it did nine years ago, when the state was home to 3.3 million fewer working-age people.

California Budget Project executive director Jean Ross recommended Congress adopt a second extension of unemployment insurance benefits. Those checks pay between $200 and $1,800 a month depending on a worker's previous earnings.

On Friday, the U.S. Labor Department reported that the nation's jobless rate had climbed to 9.7 percent, the highest since 1983.

National chain store sales rose 1.8% in the first two weeks of October versus the previous month, according to Redbook Research's latest indicator of national retail sales released Tuesday.

The rise in the index was compared to a targeted 1.5% gain.

The Johnson Redbook Index also showed seasonally adjusted sales for the period were up 0.5% from last year and compared to a targeted 0.3% increase. The year-to-year increase comes despite Wal-Mart Stores Inc. (WMT) being in the prior-year figures but not this year. Since stopping its monthly sales reports in the spring, year-to-year declines have been notable.

"Cooler weather combined with the Columbus Day holiday provided consumers with an opportunity and motivation to shop and spend perhaps catching up on delayed fall shopping earlier in the season," said Redbook. "Apparel sales may also have been stimulated by Columbus Day promotional pricing as stores sought to shift goods ahead of the holiday season."

The International Council of Shopping Centers and Goldman Sachs Retail Chain Store Sales Index rose 0.2% in the week ended Saturday from its level a week before on a seasonally adjusted, comparable-store basis.

On a year-on-year basis, retailers saw sales rise 2.8%, the biggest increase in 14 months, according to data reported Tuesday.

Two Justice Department officials said prosecutors will be told it is not a good use of their time to arrest people who use or provide medical marijuana in strict compliance with state laws.

The new policy is a significant departure from the Bush administration, which insisted it would continue to enforce federal anti-pot laws regardless of state codes.

Fourteen states allow some use of marijuana for medical purposes: Alaska, California, Colorado, Hawaii, Maine, Maryland, Michigan, Montana, Nevada, New Mexico, Oregon, Rhode Island, Vermont and Washington.

California is unique among those for the widespread presence of dispensaries – businesses that sell marijuana and even advertise their services. Colorado also has several dispensaries, and Rhode Island and New Mexico are in the process of licensing providers, according to the Marijuana Policy Project, a group that promotes the decriminalisation of marijuana use.

The New York Times said yesterday it will cut 100 newsroom jobs and an unspecified number elsewhere amid industrywide declines in advertising revenue.

The Times will offer voluntary buyouts at first but will resort to layoffs if it cannot meet the targets. “I hope that won’t happen, but it might,’’ executive editor Bill Keller wrote in a memo to staff.

The Times, flagship of The New York Times Co., which also owns The Boston Globe, cut its newsroom workforce by 100 positions last year mostly through buyouts.

Even with the latest cuts, amounting to 8 percent of the newsroom staff, the Times has the largest newsgathering staff of any US newspaper. The cuts would leave the paper with about 1,150 reporters and editors.

The Times already trimmed about 100 positions from its business operations this spring and plans additional cuts. The newspaper would not say how many. The business side now employs about 1,850.

Builders in the U.S. broke ground in September on fewer houses than anticipated and building permits dropped, signaling the market will slow once government incentives have elapsed.

Housing starts rose 0.5 percent to an annual rate of 590,000 from a 587,000 pace in August that was lower than previously estimated, figures from the Commerce Department showed today in Washington. Permits, a sign of future construction, fell for the second time in the past three months.

Builders may be paring back in anticipation of the end of the government’s $8,000 tax credit for first-time homebuyers on Nov. 30. Some Federal Reserve policy makers remain concerned the economy will relapse should the stimulus be removed too soon, signaling interest rates will remain low for months.

Wholesale prices in the U.S. unexpectedly fell in September on lower fuel costs, a sign inflation remains muted and the Federal Reserve has leeway to keep borrowing costs low as the economy recovers.

The 0.6 percent decrease in prices paid to factories, farmers and other producers was the second drop in three months and followed a 1.7 percent rise in August, the Labor Department said today in Washington. Excluding food and fuel, so-called core prices declined 0.1 percent.

Companies won’t be able to pass on higher costs to consumers until demand is more sustained as the economy emerges from the worst recession in seven decades. Citing “subdued” inflation, Federal Reserve policy makers pledged last month to keep the benchmark interest rate at a record low for an “extended period.”

Companies across the economy are holding off on hiring even as the profit outlook improves, amid economic uncertainty and their own success at raising productivity in rough waters.

There are several major factors behind the trend, which is coming on top of sharper-than-expected job cuts in the recession. Many businesses have nagging doubts about the durability of the upturn, attributing much of the recent growth in orders to a move by their customers to rebuild inventories and to government stimulus spending, rather than underlying strength in their markets.

Businesses also face uncertainty about the potential costs of regulatory moves — such as an expansion of health care and climate legislation — that could drive up costs. And many employers have learned how to produce more with a smaller number of people than they previously thought possible.

The NPD Group, Inc., a leading market research company, released the results of its annual survey of consumers' holiday spending intentions. Thirty percent of consumers surveyed told NPD they 'plan to spend less' this holiday, which is a four-point increase over last year's results.

Senate Finance Committee members have been notified that the committee's health reform bill was filed today. S. 1796 weighs in at 1,502 pages, according to a Senate Republican leadership source.

As we mentioned last week more than $300 billion of the $787 billion from the stimulus package, went for tax cuts for states and checks for individuals.

Anyone with simple common sense realizes the market is up some 60% since March, and is currently 35% to 40% overpriced on a P/E basis. Over this period retail investors who own about half the market, have only invested $2.5 billion into equity mutual funds and ETFs, while $254 billion has gone into bonds.

The question then is who are the buyers? It's probably not hedge funds because earlier they had outflows, and incoming funds have just recently stabilized. That leaves the banks, large Wall Street brokerage firms and insurance companies, all of which received part of almost $13 trillion in funds from the Fed and the Treasury. This is but another orchestration by the powers behind government. This shows you how free our markets are.

The National Association of Homebuilders sentiment indicator fell in October to 18 from 19 in September, after three months of gains. This in part is a reflection of the end of the $8,000 tax credit for first time buyers on November 30th. Sales expectations fell from 29 to 27 and the traffic of prospective buyers fell three points to 14.

In testimony before Congress it has been recommended that under Title 7 of the proposed Resolution Authority for large, Interconnected Financial Companies Act of 2009, bailouts of large financial institutions would be permanent. The FDIC, via funds from the Treasury, would make loans to failed institutions, to purchase its debt obligations and other assets, etc. This, of course, the taxpayer would get to pay for. This would be similar to TARP. This too big to fail policy would protect stockholders and bondholders as well.

Sun Microsystems Inc. plans to eliminate up to 3,000 jobs over the next year as it awaits a takeover by Oracle Corp.

A congressional committee investigating Bank of America Corp.'s controversial purchase of Merrill Lynch & Co. wants to question three key bank officials from Massachusetts about the deal.

The House Oversight and Government Reform Committee plans to interview two key board members, former FleetBoston Financial chief executive Charles K. Gifford, NStar chief executive Thomas May, and senior bank executive Brian Moynihan, according to government sources.

The committee originally planned to question May and Gifford about the deal at a public hearing in Washington tomorrow. But committee officials decided yesterday to postpone the hearing, so they could first interview May, Gifford, and Moynihan in private to complete their investigation.

California's attorney general yesterday sued State Street Corp., alleging that some of the Boston financial giant's foreign-exchange traders overcharged that state's two large public employee pension funds by $56 million over the past eight years.

The S&P is now up 65% over the past 7-1/2 months. This rise is comparable to the 50% rise in 1973-74, which took eight months. In the last bull market it took three years from the market low and four years from the recession low for the S&P to rally 65%.

President Obama plans to tackle the deficit in 2010. Tax hikes and spending cuts are being discussed. The plan is likely to be announced in Obama's State of the Union Speech in January.

Any combination of tax hikes and budget cuts will greatly impair the fragile US economy. along with terrible earnings for financial companies.

What do the record-high Wall Street bonuses have in common with the record-low yields for savers? Answer: They show yet another way that prudent people, especially those living on fixed incomes, are being cheated by the government's bailout of the imprudent.

The government is spending trillions to keep interest rates down to support the economy and prop up housing prices, and those low rates have inflicted collateral damage on savers' incomes. "It's a direct wealth transfer from savers and retirees to overly indebted borrowers," says Greg McBride, senior financial analyst at Bankrate.com.

Even as the nation's biggest financial firms were struggling and the federal government was spending hundreds of billions of dollars to save many of them, the companies as a group were boosting the perks and benefits they pay their chief executives.

Bank of America Corp. signed off on its government-assisted purchase of Merrill Lynch & Co. after U.S. regulators said the deal might boost the shares, e-mails from two executives showed. Instead, the stock collpsed.

"The chairman of the Federal Reserve indicated it would be structured in a manner such that BAC stock should go up when announced," Chief Financial Officer Joe Price said in a Dec. 29 e-mail.

The merger reflected a collaboration led by "Ken Lewis, Henry Paulson, Ben Bernanke, Timothy Geithner and Larry Summers," said Kurt Bardella, spokesman for U.S. Representative Darrell Issa, top Republican on the panel. "As a result of this collaboration, the taxpayers ended up footing the bill so Bank of America didn't have to absorb Merrill Lynch's losses."   [It appears that Ben lied again.]

Andrew Ross Sorkin's new book is out and breaks some pretty stunning news, dating from the end of June, 2008. At this point, we're still months away from the now-famous but then-secret waiver, issued in mid-September, which allowed Hank Paulson to talk to Goldman Sachs; he'd promised not to do that when he moved from Goldman to Treasury. But it turns out that Paulson just happened to be in Moscow at the same time that Goldman's board of directors was having dinner there with Mikhail Gorbachev.

How on earth did Paulson think this was OK? Goldman Sachs was a hugely powerful for-profit investment bank, and there he is, giving private chapter and verse on his opinions about the US and global economy, talking about internal Treasury matters, and previewing an upcoming (and surely market-moving) speech. All in secret, at a "social event" which somehow got kept off his official calendar. Oh, yes, and one other thing — the whole shebang took place in the Moscow Marriott Grand Hotel, in the context of Goldman directors joking about how all the Moscow hotels were surely bugged.

This is sleazy in the extreme, and will only serve to heighten suspicions that Paulson's Treasury was rigging the game in favor of Goldman all along. (It's also a bit peculiar, to say the least, that the only two times Paulson met with private-sector boards he was out of the country, and arguably outside US jurisdiction.)

The disconnect between Wall Street and Main Street remains. The ABC consumer confidence index declined to -50, the lowest reading in exactly 3 months.

Rep. Edolphus Towns (D-N.Y.) locked Republicans out of the House Oversight and Government Reform Committee room to keep them from meeting when Democrats aren't present. Towns' action came after repeated public ridicule from the leading Republican on the committee, Rep. Darrell Issa (R-Calif.), over Towns's failure to launch an investigation into Countrywide Mortgage's reported sweetheart deals to VIPs.