

Market Review: The only way to guarantee wealth preservation is to have gold & silver related assets

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"Whoever controls the volume of money in any country is absolute master of all industry and commerce" – **President James A. Garfield**

Bowing to populist anger, the House voted Friday to prohibit pay and bonus packages that encourage bankers and traders to take risks so big they could bring down the entire economy.

Passage of the bill on a 237-185 vote followed the disclosure a day earlier that nine of the nation's biggest banks, which are receiving billions of dollars in federal bailout aid, paid individual bonuses of \$1 million or more to nearly 5,000 employees.

This is not the government taking over the corporate sector," Rep. Melvin Watt, D-N.C, said of the House action. "It is a statement by the American people that it is time for us to straighten up the ship."

Employment compensation for U.S. workers has grown over the past 12 months by the lowest amount on record, reflecting the severe recession that has gripped the country.

The Labor Department said Friday that employment costs rose by 1.8 percent for the 12 months ending in June, the smallest annual gain on records that go back to 1982.

The department said that for the April-June quarter, its Employment Cost Index rose by just 0.4 percent, just slightly above the 0.3 percent rise in the first quarter, which had been the smallest quarterly gain on record.

Companies, struggling to cope during the current hard times, have been laying off workers, trimming wage gains and holding down overtime to save costs.

The 1.8 percent increase in overall compensation for the past 12 months included a record low 1.8 percent rise in wages and salaries, which account for 70 percent of compensation costs.

Benefits, which include such things as health insurance and contributions to pension plans, also rose by 1.8 percent during the past year, the lowest annual gain in this category since a similar increase during the 12 months ending in September 1997.

This past week the market rose slightly. The Dow rose 0.9%, S&P rose 0.8%, the Russell 2000 rose 1.5% and the Nasdaq rose 0.3%. Cyclical rose 5.5% as utilities fell 2.4%. Banks rose 8.4%; broker/dealers 3.7%; semis increased 0.3% and biotechs 0.7% as high tech fell 0.2% and Internets fell 1.3%. Gold bullion gained \$2.10 as the HUI fell 0.2%.

Two year T-bills rose 5 bps to 1.01%, the 10-year notes fell 18 bps to 3.48% and the 10-year German bunds fell 18 bps to 3.305.

Freddie Mac's 30-year fixed mortgage rates rose 5 bps to 5.25%, the 15's added 1 bps to 4.69% and one-year ARMs rose 3 bps to 4.80%. The jumbo 30-year fixed rates fell 2 bps to 6.36%.

Fed credit fell \$0.06 billion, up 125% yoy. Fed foreign holdings of Treasuries, Agency debt jumped \$6.2 billion to a record \$2.793 trillion. Custody holdings for foreign central banks have expanded 19.1% ytd and 18% yoy.

M2 narrow money supply rose \$8.9 billion, or 8.2% yoy.

Total money market fund assets fell \$22 billion to \$2.634 trillion. Year-to-date they have fallen 8.9% annualized.

This past week the dollar index, USDIX, declined 0.6% to a 2009 low of 78.31.

The stock market continues its bear market rally, which is very similar to the rallies in 1930 and 1932. What we are seeing at this stage of the rally is the shares of smaller companies and companies with low ratings outperforming better issues on low volume. 85% of the market has broken out above its 50-day moving average, but the quality of leadership is very questionable. After 50 years of observing markets we know from experience that these kinds of rallies at this stage end the overall rally. This is a low-quality rally and it is very overbought. That is enunciated by low volume and short covering. The gains at this juncture should be miniscule leaving those who are still long a chance to exit what will end up being a trap. Keep in mind as well that the depression is not ending and unemployment is still climbing. We see no signs of a sustainable recovery. Most of the important earnings reports have been made and absorbed by the market. As long as companies are laying off and cutting back on hours they won't be increasing inventory, especially with retail sales continuing to slide. There are no signs of a sustainable recovery. Even if inventories are increased it will be a one shot deal. The recovery, if there is to be one, will be production led. How can that happen as layoffs continue and banks continue to cut back on lending? Any recovery is contingent on bank lending. Plus, we are seeing continued deleveraging in all sectors. The credit is not available to support higher production. Capacity utilization is hanging around 85, which means there is already major idle capacity. Consumers are simply not buyers. That happened in the last recession in 2002, but that lack of participation was supplanted by the real estate bubble. We are seeing twice as much asset deflation and triple the job losses of the last slowdown. That means recovery is a long way off. All stimulus packages do is prolong the agony, worsen and distort the systemic problems. Forty percent of total disposable income is coming from government programs, whereas the remainder, wages and salaries from the private economy, are declining at a 3.1% rate. If you add in inflation, which no one seems to talk about anymore, you have at least a 10% annual loss in purchasing power. Even \$3 billion in rebates in "cash for clunkers" is not going to have any lasting economic effect. It is just a prolongation of the problem although workers deserve a break, after the Treasury and the Fed commit American taxpayers for \$23.7 trillion, most of

it going to bail out Wall Street, banks and insurance companies. The administration just threw the workers a \$3 billion bone. It should also be noted that what amounts to zero financing has been going on for nine years. The market was saturated and to keep the assembly lines working and workers employed to fend off recession.

Earnings increases came at the cost of major unemployment over the past six months assisted by mark-to-model pricing of assets and other games of 3-card Monte. Be as it may in today's culture of crime the market has priced in a 40% increase in earnings next year, which is ridiculous. Worse yet, financials have flattened out and they were among the leaders upward and discretionary consumer stocks have taken over the lead. As well stocks profoundly affect by the depression, such as gaming stocks, homebuilders, home furnishings, advertisers, hotels, automakers and retail shares. In two weeks the back to school retail numbers will start coming in and they will not be nice. That should trigger downside in the market. Prices are being cut 30 to 70 percent. How can companies make money that way? All they will do is reduce inventory. Discretionary spending is out. The game has changed. Incidentally, Europe and the UK are experiencing the same thing. As well there is lots of negativity being driven by the swine flu propaganda. A falling dollar and rising gold and silver prices will point out what trouble the US and world economy has gotten itself into.

Boomers, some 80 million strong, accounted for 47% of national spending and now they are saving. They provided 78% of spending growth up until recently. What we find of special interest is that boomers aged 54 to 63, even though told over and over again to prepare for retirement only 31% are prepared. If the Dow falls to 4,000 and house prices fall another 20%, how much smaller will the percentage shrink? The number of plus 55 year olds reentering the workforce to survive, is cutting off jobs for younger members of society. In addition about 50% of corporations are now looking for new college graduates. This is the situation that existed during the late 1940s, 50s and into the 1960s. Those who got jobs were lucky and they kept them. If you can believe it these grads were fortunate to make \$400 a month. This is where we are again headed.

A phenomenon we have observed over the past 15 years is professional low-balling of earnings, which allows for corporate earnings to perpetually look good. Even at that only about 60% of corporations beat professional earnings estimates. Revenues have so far fallen 10%, thus earnings objectives have been reached by firing personnel. Incidentally that drop in revenues is ten times worse than in 2003.

Unemployment at 20.5% for U6 will rise to 22% this year and 25% or more next year. Although the rise of the minimum wage from \$6.55 to \$7.25 an hour will aid low-income workers, but it will also stop hiring and will lead to more layoffs. It will take two years for unemployment to bottom out after the depression is over and it is nowhere over as yet.

This time around the number of part time jobs has doubled to more than 9 million above the norm. Those hours are at an all-time low of 33 hours as we learned last week. That leaves us short 8 million jobs if you include the 150,000 people entering the workforce monthly. Most of these jobs have been lost permanently due to free trade, globalization, offshoring and outsourcing, unless Congress legislates tariffs on goods and services. More than 7 million jobs have been lost due to globalization over the past ten years. Few of those who have lost jobs have been retained. We need better education, but as long as the federal government dictates how children will be educated we see no recovery. Can you imagine what this will do to productivity? There are no easy solutions. We are still on the same course sculptured

for use by the Illuminists and there is no turning back.

Behind all the problems sit the central bankers they have deliberately allowed massive leverage in banking of some 50 times assets, which in turn led to the credit crisis of the past two years. Market forces should determine interest rates and we should return to targeting money and credit once the system has been purged. The control of monetary policy should be in the hands of the treasury, not controlled by the Fed. It has been 30 years since we targeted monetary aggregates and it is about time we returned to that device to reign in the excesses we have witnessed since 1980. Remember, only central banks are capable of creating excessive money and credit, ridiculously low interest rates and inflation.

Bankers fully understand that unrestrained credit is inherently unstable and that eventually has to bring hyperinflation and eventually deflationary collapse. That is why for centuries gold was used to back currencies. It kept the central bankers honest. This undisciplined display of money and credit expansion by most all central banks has been done deliberately. These people are not dumb; they know exactly what they are doing.

Just to give you an idea how serious the situation is in MBS, mortgage backed securities, issuance has gone wild. In June, MBS, held and guaranteed by Fannie Mae was \$3,194 trillion, up \$423.9 billion on the month. Freddie's book grew \$12.2 billion. In other words, MBS issuance is almost at levels seen in 2007 and 2008. The media doesn't carry such information because it is inconvenient for government. Most of these loans are of sub prime and ALT-A character, which guarantees us another crisis a year down the road as homeowners default and two years hence as these loans reset. This will cause more new downward pressure on real estate prices. What abject stupidity, or perhaps there is another agenda and that is to guarantee a total collapse of the economy, during hyperinflation two years from now.

Who, we ask is going to continue to fund \$2 trillion in US Treasuries as the amount increases by the minute for years to come? The demands will be exponential. The Fed is already monetizing Treasury paper and the demands to continue to do so in the future will grow louder as time goes on. This is called debasement, and it is the tact the Fed has chosen to follow until the deflationary plug is pulled. The only way to defend your assets and guarantee wealth preservation is to have gold and silver related assets.

In another sign of the times Smith and Hawhen, an upscale garden supply chain is in liquidation. The owner, Scott Miracle Gro, couldn't find a buyer.

Times are tough for illegal aliens as they begin to have money sent back to the US, so they can exist. Many have not worked for two years and, of course, they are not counted among the unemployed. On the other hand money leaving the US for Mexico has fallen by some 70%. Last year legal and illegal aliens sent \$50 billion back to their home countries. Year-on-year the amount of foreign currency on deposit fell 7% in the Dominican Republic, 12% in India and 6% in Mexico. The money coming back to the states won't last long, because most of the funds were spent on living expenses.

Almost a year ago AIG, American International Group, One the world's largest insurance company, received \$182 billion from taxpayers, in exchange for a 78% stake. Of that money \$165 million went for bonuses for its Financial Products Group, which in part caused the firm's failure. This is the gang that sold credit default swaps. AIG ran naked on these deals. They had no collateral back up for the contracts they had entered into. Out of \$105.4 billion

that secretly was run through AIG to cover their bad bets to US and foreign bankers, Goldman received \$12.8 billion. The reason, after much prodding, Treasury Secretary Paulson wanted to keep the names and where the money had gone secret, was that this was a secret taxpayer bailout of banks worldwide. It was not until Paulson left office that what he had done became public knowledge. In order to avoid detection of what they were up too at AIG they deliberately and frequently assigned the risks assumed to their different North American insurance companies. They created a game of musical chairs to deceive state regulators as well. They had assumed liabilities far beyond their ability to pay on those obligations. There is no question in our mind that former CEO and guiding light at the Council on Foreign Relations, Hank Greenberg, engineered this terrible deception. It so far has cost taxpayers \$182 billion. We wonder how much more it will cost us?

You may not know it yet, but we are winning. The Internet, shortwave and Satellite have the elitists on the run. This is even more pronounced today than at the Bilderberger Meeting in Greece in June. Governments and central banks are under severe pressure. Just look at irate constituents at Town Hall meetings and 277 co-sponsors of Ron Paul's HR 1207, a bill to investigate and audit the Fed. Ex-treasury Secretary Paulson and Fed Chairman Bernanke were just treated to the worst grilling in the history of the House and were called crooks and criminals by Congress people. Bernanke couldn't explain where \$500 billion came from and as well the disappearance of \$2 trillion. When these events happened the dollar strengthened, but Bernanke only found this to be a coincidence. Congressman Grayson laughed in Bernanke's face. We had this tape in the last issue in the US section, and after we ran it, it mysteriously disappeared from C-Span. So much for a free media and open society.

The \$500 billion was spread far and wide; actually \$531 billion went to central banks worldwide to prop up the dollar. This is what these swaps were all about, as was the attempted gold suppression, which happened simultaneously. That was unsuccessful because Europeans do not want to sell more gold, and that is borne out by the lack of central bank sales this year, besides the US cannot be a seller to suppress prices, because if they have any gold left it is in the form of coin melt. There has been no gold audit since 1955.

This time the Fed does not have currency swaps to defend the dollar and that is why there was no defense of 78 on the USDx this week.

That means the Fed has to quickly create \$500 billion more monetized dollars for more currency swaps, so that it can sell more foreign currencies to stem the fall of the dollar. If that does not happen the dollar will keep on plunging. The market action over the next four months should be spectacular.

The ISM report on prices paid increased to 55 from 52. This again shows prices are not retreating - they are rising. This heavily weighs on the dollar, so it is no wonder the dollar continues to sink. We are in a depression in the inflationary stage and as long as money and credit and Fed monetization continues inflation will rise. The Fed is well aware of all this, because they deliberately created this situation.

Once again bean counters 'fooled' with inflation to produce higher GDP than warranted.

John Williams: The relatively narrower quarterly contraction in the second quarter reflected the impact of greater weakness being thrown back into the first quarter, in revision, and the use of artificially reduced inflation. The implicit price deflator for the second quarter was 0.2% versus a revised 1.9% (was 2.8%) in the first quarter.

Last week we complained that despite records in fiscal stimulus, Fed largesse, nationalization and rigging of markets the best that can be said is the pace of economic decline is slowing.

Despite a 10.9% surge in federal government spending and virtually no inflation adjustment all that bean counters could fabricate (June data is still incomplete) is a 1% 'official' decline in GDP.

David Rosenberg echoes our observation: Imagine, government transfers to the household sector exploded at a 33% annual rate, while tax payments imploded at a 33% annual rate and the best we can do is a -1.2% annualized decline in consumer spending in real terms and flat in nominal terms?...In the absence of the fiscal largesse, it is quite conceivable that consumer spending would have shrunk at a 10%

annual rate last quarter!"

And, it is not just labour income that is still in deflation mode. Practically all forms of income are deflating from a year ago — interest income is down 4.5%, dividend income is down 23.0% and proprietary income is down 8.0%. The only income that is really going up is the income from Uncle Sam, which is up more than 10.0% and we have reached a point where a record of nearly one-fifth of personal income is being accounted for by paychecks out of Washington.

Because of emergency extensions already enacted by Congress, laid-off workers in nearly half the states can collect benefits for up to 79 weeks, the longest period since the unemployment insurance program was created in the 1930s. But unemployment in this recession has proved to be especially tenacious, and a wave of job-seekers is using up even this prolonged aid.

Tens of thousands of workers have already used up their benefits, and the numbers are expected to soar in the months to come, reaching half a million by the end of September and 1.5 million by the end of the year, according to new projections by the National Employment Law Project, a private research group.

Morgan Stanley's Gerard Minack: Based on GAAP numbers, the S&P 500 collectively is on track to make almost no money over the four quarters to June. To be precise, it's on track to report earnings per share of \$1.30. That puts the market on a trailing P/E of 761. Clearly, investors are looking through this trough.

The GAAP numbers include write-downs; other measures that exclude write-downs are higher.

(Oddly, even in the good times – when there were significant write-ups – the GAAP numbers were below the alternative measures of earnings.) Standard & Poor's operating earnings exclude most write-downs.

On this definition, corporate America is set to record \$40 in EPS (trailing P/E of 24).

The IBES earnings numbers – which are the no-holds-barred contortions offered by the corporates themselves – are sitting at around \$60 in EPS.

Der Spiegel: Banks Reopen Global Casino Investment banks, of all things, are making serious money again, thanks in part to government aid. Ironically, they are benefiting from the crisis they helped to create. As profits go up, so do salaries — only this time, it's the taxpayers who are shouldering the risks.

The casino is open again, worldwide. Many investment banks are raking in massive profits once again, driving up risks and attracting talent with high salaries. It's as if nothing had happened, and as if it hadn't been precisely this type of behavior that brought the financial system to the brink of collapse last fall and then plunged the world economy into its worst crisis since World War II.

The collapse of the financial system was averted, but only through colossal public spending, as governments bolstered ailing banks with loan guarantees and equity injections and central banks pumped billions in liquidity into the markets. But now that the worst seems to be over, banks are back to behaving the same way they did before the crisis. Even worse, thanks to government guarantees for the financial sector and cheap money from central banks, it has never been easier for banks to make money.

The Federal Deposit Insurance Corp. said late Monday that banks should recognize losses on home loans promptly and warned that failure to do so could delay efforts to mitigate the financial impact. [The big boys force the FASB to allow them to mark assets to fantasy and now the regulators go after community banks to mark home loans to market! Smiley-faced fascism concentrates wealth!]

Treasury Secretary Timothy Geithner blasted top U.S. financial regulators in an expletive-laced critique last Friday as frustration grows over the Obamaadministration's faltering plan to overhaul U.S. financial regulation, according to people familiar with the meeting.

Friday's roughly hour long meeting was described as unusual, not only because of Mr. Geithner's repeated use of obscenities, but because of the aggressive posture he took with officials from federal agencies generally considered independent of the White House. Mr. Geithner reminded attendees that the administration and Congress set policy, not the regulatory agencies.

Mr. Geithner, without singling out officials, raised concerns about regulators who questioned the wisdom of giving the Federal Reserve more power to oversee the financial system. Ms. Schapiro and Ms. Bair, among others, have argued that more authority should be shared among a council of regulators.

Bank of America Corp. has agreed to pay a \$33 million penalty to settle government charges that it misled investors about Merrill Lynch's plans to pay bonuses to its executives, regulators said Monday. [Again, a fine that is chump change for lying and fraud.]

The U.S. factory sector continued its steady trek out of the recession in July, marking its best performance since August 2008.

The Institute for Supply Management reported Monday that activity showed a reduced rate of contraction last month, with its manufacturing index standing at 48.9, from 44.8 in June

and 42.8 in May. The index had been expected to come in at 46.5.

Spending on U.S. construction projects unexpectedly rose in June, making its second increase in three months as signs of a recovery emerge in the housing sector.

Total spending climbed by 0.3% to a seasonally adjusted annual rate of \$965.66 billion compared to the prior month, the Commerce Department said Monday.

Wall Street had expected overall spending on construction would decrease, falling by 0.5%.

Commercial construction spending inched higher. Public-sector construction spending rose to an all-time high.

Spending fell 0.8% in May; originally, May spending was seen 0.9% lower.

Year over year, spending in June was down 10.2% since June 2008.

June residential construction spending climbed 0.7% to \$253.8 billion. Residential spending fell 3.2% in May, a revision up from the originally reported decrease of 3.5% for the month. Spending in April rose 1.5%. Year over year, residential spending was 29.3% below the June 2008 level.

New evidence suggests the housing market is beginning to recover from its long crisis. Sales of single-family homes rose 11.0% in June, the government said last week. It was the fourth increase in six months. Higher demand has emboldened builders; home construction unexpectedly rose in June, up by 3.6%. Building permits also climbed.

Monday's data said non-residential construction spending increased 0.1% during June. Outlays climbed for roads and amusement parks and fell for hotels. Year over year, spending for commercial construction was down 0.7%.

A big fall is expected in commercial construction. In parts of the U.S., office vacancy rates are up. Rents are down. Credit is tight. The Federal Reserve's latest "Beige Book" review of the economy described commercial real estate leasing markets as either "weak" or "slow" in all regions of the U.S.; the severity of the downturn varied somewhat, depending on the area.

Construction spending in the private sector during June decreased by 0.1% to \$643.9 billion. Spending fell 1.4% in May.

Spending by the government on construction rose a fifth straight month in June - even though the economy's slump has cost municipalities money.

Government revenues have fallen because of rising unemployment, which cuts into income taxes, and falling home values, which eats up property taxes. Companies have seen business drop in the recession, meaning they're paying less in taxes to the government.

The 1.0% gain in June public-sector construction spending, to \$321.7 billion, followed a May climb of 0.4%. Federal government construction outlays surged 1.9% in June. State and local spending, which is much larger than federal spending in dollars, increased by 1.0%

Ford Motor Co.'s July U.S. sales rose 2.3 percent and Honda Motor Co. posted a 17 percent drop, as the government's so-called cash-for-clunkers incentive may have helped the auto

industry to its strongest pace this year.

General Motors expects to lay off thousands of factory workers after the number who voluntarily quit through a recent buyout and early retirement program fell short of the carmaker's target.

G.M. said Monday that about 6,000 hourly workers had left as of Saturday. That means the company still has about 48,000 hourly workers, which is 7,500 more than its year-end goal of 40,500.

A G.M. spokeswoman, Sherrie Childers Arb, said the company planned to meet with the United Automobile Workers union to determine how it could meet its goal by Dec. 31, but she said the company was not considering another buyout offer.

"Some people will go into a layoff situation," Ms. Childers Arb said. "Others will be offered positions at other G.M. facilities. But we probably would not be able to find positions for all of those workers."

Workers who agreed to leave their job received cash payments of \$20,000 to \$115,000, with the largest amount going to those who gave up retirement benefits other than their pensions. Departing workers also received a voucher worth \$25,000 toward a new-vehicle purchase.

Goldman Sachs' reputation among both the general public and financially sophisticated Americans has been damaged by the events of the past year, according to research conducted for the Financial Times.

In a survey of 17,000 Americans, Brand Asset Consulting found that Goldman's stature – as measured by several gauges of brand strength – had suffered in 2008 and 2009.

"Goldman Sachs still has that Gordon Gekko look to it among the general public," said Anne Rivers, who oversaw the survey, referring to the villain of the 1987 film *Wall Street*.

A report out of the Milken Institute finds that California has shed nearly 80,000 manufacturing jobs over the past five years, as neighboring states gained 62,000 jobs in the same sector.

A federal tax fraud ring stretching from Chicago to Israel sought to bring in more than \$35 million in tax refunds using the identities of thousands of federal prisoners, authorities here announced today.

A total of 10 people were named in indictments unsealed Monday, the U.S. attorney's office in Chicago announced, including the alleged leader of the ring, Marvin Berkowitz. One of his sons and a son-in-law were expected to appear in court in Chicago this afternoon.

Authorities said the ring submitted fraudulent claims using the stolen identities, causing \$4 million in refunds to be issued. Berkowitz, who was arrested in Jerusalem, allegedly directed \$800,000 to be paid to family members.

Yair Berkowitz, 26, of Chicago, the son of the alleged leader, was to appear in court

today, along with Eric Berkowitz, 33, of Chicago, Marvin Berkowitz's son-in-law.

Berkowitz is a former Chicago rabbi who had lived in Israel since 2003 after alleged involvement in another tax fraud.

The postal service is considering closing as many as 1,000 local offices as it battles staggering financial problems.

The post office has been struggling with a sharp decline in mail volume as people and businesses switch to e-mail both for personal contact and bill paying. The agency is facing a nearly \$7 billion potential loss this fiscal year, despite a 2-cent increase in the price of stamps in May, cuts in staff and removal of collection boxes.

Also on the block are branch offices across the country and postal officials sent a list of nearly 700 potential candidates to the independent Postal Regulatory Commission.

More may be added, the postal service says. Those the current list of potential candidates can be viewed at <http://www.azcentral.com/business/articles/2009/08/03/20090803postclosings.html?source=nletter-business>

U.S. personal incomes tumbled 1.3 percent in June, more than forecast and the biggest drop in four years, signaling that consumer spending will take time to recover.

The decline partly reflected the unwinding of one-time transfer payments from the Obama administration's stimulus plan, which boosted incomes 1.3 percent in May, figures from the Commerce Department showed today in Washington. Spending rose 0.4 percent in June as prices climbed. Adjusted for inflation, purchases fell 0.1 percent, the report showed.

[General Electric Co.](#) will pay a \$50 million civil penalty to settle charges by the Securities and Exchange Commission that the conglomerate used improper accounting in order to make its financial results appear more attractive to investors.

The SEC said yesterday that GE violated US securities laws four times between 2002 and 2003 when accounting for items like commercial paper funding and the sale of train locomotives and aircraft engine spare parts.

The SEC said the changes helped GE post a string of earnings reports that beat Wall Street expectations each quarter from 1995 through 2004.

"GE bent the accounting rules beyond the breaking point," said Robert Khuzami, head of the SEC's enforcement division, in a statement.

GE, based in Fairfield, Conn., does not admit to or deny the allegations, but said in a statement that it corrected its financial statements during SEC filings made between 2005 and 2008. GE said two of the violations outlined by the SEC were intentional, but that the other two were negligent errors by company officials.

An unspecified number of employees working on the locomotive transactions were fired, and GE has implemented new internal accounting controls, according to a GE spokeswoman.

“The errors at issue fell short of our standards,” GE said in a statement.

The SEC did not quantify how much GE gained through the accounting tactics, but the company said there was a \$280 million cumulative reduction of its net earnings between 2001 and 2007 when it went back to correct the problems.

[They neither admit nor deny yet pay a \$50 million fine, which amounts to chump change for this gang of crooks. No criminal charges or fraud and nobody goes to jail, they just buy their way out.]

Despite a pickup in sales, commercial real estate prices posted a record drop in the second quarter, according to an index developed by the Massachusetts Institute of Technology’s Center for Real Estate.

With an 18.1 percent decline, the index, which tracks commercial property sold by major institutional investors, is down 22 percent year-to-date, 32 percent from a year ago, and 39 percent from its mid-2007 peak.

“The big news this quarter is not just the magnitude of the drop, but the fact that transaction volume actually increased in the presence of this decline, the first volume increase since last summer,” David Geltner, director of research at the center, said in a statement yesterday.

The decline in nominal terms is far greater than the 27 percent drop in the previous major commercial property downturn in the late 1980s and early 1990s. Adjusting for inflation, both periods are now tied at a 41 percent decline.

The downturn in commercial real estate, as marked by the index, also is greater than the collapse in US housing prices, which are off 30 percent, the report said.

The 18.1 percent decline was the steepest in the index’s 25 year history, far greater than the former record – a 10.6 percent decline in the fourth quarter of 2008.

President [Barack Obama](#)’s effort to revamp the U.S. health-care system is drawing increasing disapproval from Americans worried about higher deficits, a Quinnipiac University poll shows.

The July 27-Aug. 3 poll found that 52 percent of American voters disapprove of the way Obama is handling the health-care issue and 39 percent approve. That compares with 46 percent who disapproved and 42 percent who approved in late June, the university’s polling institute said.

Almost three-quarters of the respondents said they don’t believe Obama’s promise that Congress can pass a health-care measure without adding to the [budget deficit](#). And 57 percent say the legislation should be dropped if it adds “significantly” to the deficit, [Quinnipiac](#) said.

Jeremy Scahill | Blackwater Founder Implicated in Murder
<http://www.truthout.org/080409R?nn>

Jeremy Scahill, The Nation: “A former Blackwater employee and an ex-US Marine who has worked as a security operative for the company have made a series of explosive allegations

in sworn statements filed on August 3 in federal court in Virginia. The two men claim that the company's owner, Erik Prince, may have murdered or facilitated the murder of individuals who were cooperating with federal authorities investigating the company. The former employee also alleges that Prince 'views himself as a Christian crusader tasked with eliminating Muslims and the Islamic faith from the globe,' and that Prince's companies 'encouraged and rewarded the destruction of Iraqi life.'"

The sheriff in Alabama's most populous county may call for the National Guard to help maintain order, a spokesman said Tuesday, after a judge cleared the way for cuts in the sheriff's budget and hopes dimmed for a quick end to a budget crisis.

Circuit Judge Joseph L. Boohaker ruled that leaders in Jefferson County — now trying to head off a municipal bankruptcy filing of historic proportions — could go ahead with plans to slash \$4.1 million from the budget of Sheriff Mike Hale, who had filed a lawsuit that temporarily blocked spending cuts for his office.

About 1,000 county workers already are on unpaid leave because courts threw out a key county tax, and Hale has warned that reductions to his budget would mean fewer patrols by deputies and decreased courthouse security.

The broader economy may be testing the bottom, but for American consumers, there appears to be no end yet in sight for falling wages and higher living expenses.

That was the picture painted Tuesday by the [government's monthly report on personal incomes](#) and consumer spending. While consumers spent more in June, they did so because prices of food and energy were rising, and not because they were ready to spend freely again.

Personal incomes sagged as employers continued to cut wages and reduce working hours. And the personal saving rate, which had been rising, dropped sharply from a month earlier as one-time transfer payments from the government stopped arriving in people's bank accounts.

"Consumers are not spending any more money," Steven Ricchiuto, chief economist at Mizuho Securities, said. "They're still consolidating." Personal income fell back 1.3 percent in June, just a month after a one-time \$250 payment to [Social Security](#) recipients lifted it by the same amount. And in a sign of continuing troubles for American workers, private wages and salaries fell for a fourth month, slipping a seasonally adjusted \$28.6 billion after a \$11.3 billion drop a month earlier.

Private wages and salaries have fallen for each of the last 10 months as businesses trimmed costs by freezing pay, imposing salary cuts and reducing the work week. Personal income has dropped by a seasonally adjusted \$372 billion since September.

"Wage and hour cuts are big right now," Adam York, an economist at [Wells Fargo](#), said. "The economy remains fairly weak, and the labor market even weaker. We've lost 6 million jobs, and unemployment is rapidly heading toward 10 percent. There's just not a lot of wage pressure out there right now."

The Commerce Department's report showed that while consumer spending was no longer falling precipitously, shoppers were still extremely cautious with their money. Personal spending rose by a seasonally adjusted 0.4 percent in June, but factoring in price

changes, real consumer spending slipped 0.1 percent.

Economists said a strong response to the government's ["cash for clunkers"](#) auto purchase program was likely to lift spending in July.

The personal saving rate dropped to 4.6 percent, from 6.2 percent in May, reflecting how people had saved their one-time Social Security payments.

Since the recession began in December 2007, the national unemployment rate has risen to 9.5 percent, and economists are expecting it to reach 9.6 percent when the government reports its July jobs numbers on Friday. Forecasters expect that the economy lost an additional 328,000 jobs last month after shedding 467,000 jobs in June.

A report on home sales that have gone under contract, but not yet closed, offered a bit more cause for optimism. The [National Association of Realtors' index of pending home sales](#) was higher for a fifth month in June, rising 3.6 percent in another sign the country's housing market might have hit bottom.

Economists were expecting a monthly increase of 0.7 percent.

Lower mortgage rates, falling prices and a tax credit for first-time home buyers have ignited new activity in once-foundering local housing markets. Last month, a closely watched gauge of housing prices showed some of its first positive moves in years, and sales of new and previously owned homes are beginning to stabilize.

Secretary of the Treasury Timothy Geithner blasted top US regulators in an expletive-laden tirade as the President's financial overhaul stumbles.

This overhaul would make the Fed overseer of finance and make it the overriding financial chief. Our Secretary repeatedly used obscenities to express himself like some common dockworker. This Geithner is obviously a twit of little moral character.

The depression, as we predicted, is starving the government of tax revenue just as our President wants to pile on healthcare, better known as euthanasia and cap and trade together that will raise tax revenues by 40% for taxpayers.

Tax receipts are on pace to fall 18% this year, the biggest single decline since the depression, while the budget deficit vaults over \$2 trillion. This compares to 1932, as corporate incomes are being wiped out. While this transpires savings are being wiped out by Wall Street and banking fraud, lower stock and bond prices and failure of our safety nets real estate and Social Security.

U.S. personal incomes tumbled 1.3 percent in June, more than forecast and the biggest drop in four years, signaling that consumer spending will take time to recover.

The decline partly reflected the unwinding of one-time transfer payments from the Obama administration's stimulus plan, which boosted incomes 1.3 percent in May, figures from the Commerce

Department showed today in Washington. Spending rose 0.4 for inflation, purchases fell 0.1 percent, the report showed.

ABC Confidence declined to -49 last week from -47. This, like the income collapse, was largely ignored.

The number of US prime borrowers behind on home loan payments has risen sharply, signaling further problems for banks and investors.

Standard & Poor's said higher unemployment combined with a prolonged housing market slump had afflicted even the highest quality borrowers.

Even though the broader economy may be scraping the bottom, American consumers are still struggling with falling wages and higher living expenses. While consumers spent more in June, they did so because prices of food and energy were rising, and not because they were ready to spend freely again.

Personal incomes sagged as employers continued to cut wages and reduce working hours. And the personal saving rate, which had been rising, dropped sharply from a month earlier as payments from the government stopped arriving in people's bank accounts.

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