The Surge in U.S. Personal Bankruptcies, Foreclosures and Job Losses

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The number of Americans filing for personal bankruptcy rose by nearly a third in 2009, a surge largely driven by foreclosures and job losses.

And more people are filing for Chapter 7 bankruptcy, which liquidates assets to pay off some debts and absolves the filers of others. That is significant because a 2005 overhaul of federal bankruptcy laws aimed to encourage Chapter 13 filings, which force consumers to sign onto debt-repayment plans in exchange for keeping certain assets.

The changes were designed to make it more difficult for people to shed their debt, particularly in a Chapter 7 filling. A "means" test, for example, was introduced to separate those who could afford to repay their debt from those who couldn't. A Chapter 7 filing is off the table if the means test determines a person is able to pay back at least a portion of the debt after it is restructured.

The worst U.S. recession in a generation is testing the effectiveness of these laws. The economic downturn also has prompted more middle-class Americans to file for bankruptcy protection.

Overall, personal bankruptcy filings hit 1.41 million last year, up 32% from 2008, according to the National Bankruptcy Research Center, which compiles and analyzes bankruptcy data. It is the highest level of consumer-bankruptcy fillings since 2005. Consumers rushed to file in 2005 before the new bankruptcy laws took effect in October of that year.

Chapter 7 filings were up more than 42% as of November 2009, compared with the same period a year earlier, according to the research center. November is the most recent month with analyzed data available. Chapter 13 filings rose by 12% and made up less than a third of 2009 filings as of November.

"That suggests it was largely ineffective," Ronald Mann, a law professor at Columbia University, said of the 2005 overhaul. "I don't think anybody who's knowledgeable about the bankruptcy system thought the statute was well crafted."

During this recession, the housing crisis and high unemployment rate have prompted more people to file for bankruptcy who may never have considered the option before, experts said. Filings from 2008 showed more people with high income and high education levels resorting to bankruptcy petitions, according to an annual survey of consumer-bankruptcy filers' demographics by the Institute for Financial Literacy, a nonprofit that provides bankruptcy-related counseling and education services. Those demographic trends appeared to continue last year.

Mr. Mann said he believes bankruptcies reached their peak sometime last year, but bankruptcy attorneys from across the country said there was no sign that business was slowing. The 113,274 filings in December alone were a third higher than the same month a year earlier.

“I can’t see over the top of the files on my desk,” said Cathleen Moran, a bankruptcy attorney at Moran Law Group in Mountain View, Calif., likening it to the rush of clients before the revised law went into effect. In a three-month period before those rules changed in 2005, her firm filed five times as many cases as usual.

Ms. Moran’s clients in 2008 typically were people who earned between $40,000 and $80,000. That changed last year when a rash of people who earned $100,000 to $300,000 began filing as well, she said.

Non-manufacturing sector expanded in December, but barely, according to data released Wednesday by the Institute for Supply Management. Employment within the broad sector continued to contract.

The ISM’s non-manufacturing purchasing managers’ index rose to 50.1 last month, from 48.7 in November. The December index was slightly below the 50.5 expected by forecasters surveyed by Dow Jones Newswires. Readings above 50 indicate expanding activity.

The ISM said its December business activity/production index rose to 53.7 last month from 49.6. The new-orders index slipped to 52.1 from 55.1 in November.

Nonfarm private employment declined by 84,000 jobs in the month of December, marking the eight straight month of a decreasing rate of job destruction.

According to the authors of the ADP National Employment Report, “employment losses are now rapidly diminishing and, if recent trends continue, private employment will begin rising within the next few months.”

Despite the improvement over the 145,000 jobs lost in November (revised up from -169,000), December’s slowdown was still less than forecast. Analysts had expected a better improvement in the range of 63,000 jobs lost.

Well-known banking analyst Meredith Whitney on Tuesday cut her earnings estimates for Wall Street bank Goldman Sachs for the second time in less than a month.

Shares of Goldman Sachs (NYSE: gs) fell immediately after the news, but then rebounded higher.

Whitney, head of the Meredith Whitney Advisory Group, lowered her fourth quarter estimate for Goldman Sachs to $5.50 from $6.

She also cut her full-year estimate for Goldman for 2010 from $19.65 to $19.20; her 2011 earnings per share estimate from $20.60 to $20.25; and her 2012 estimate from $21.45 to $21.10.

Whitney had previously cut her estimates for Goldman on Dec. 17.

Whitney lowered her estimates for bank Morgan Stanley (NYSE: ms) this past December, reducing her 2010 expectations to $2.60 a share from $2.63 a share. For 2011, her firm lowered its profit estimates to $2.75 a share from $3.28 a share on the bank. It also set an earnings estimate of $2.90 a share for Morgan Stanley for 2012.

Construction spending on hotels, office buildings and retail centers may fall 13 percent this year, the second straight annual decline amid a drop in property prices, the American Institute of Architects said.

The Washington-based group's forecast is more severe than an estimate it made in July, when it predicted a 12 percent decrease. Spending will turn "marginally" higher in 2011, the group said today.

"The magnitude of the downturn has set in," Kermit Baker, the group's chief economist, said in an interview. This year's expected drop compares with a decline of about 20 percent in 2009. "Another bad year is the bottom line, but there are some prospects of recovery as we get into 2011."

U.S. commercial real estate values sank to the lowest level in seven years in October as job losses cut demand for apartments, offices and retail space, Moody's Investors Service Inc. said last month. Office vacancies may approach 20 percent in 2010, according to Jones Lang LaSalle Inc. and Grubb & Ellis Co. Unemployment was 10 percent in November after a 26-year high of 10.2 percent the prior month, the Labor Department said.

Commercial construction spending will probably have a "marginal increase" of 1.8 percent next year, according to the architects group.

That forecast "still implies a weak first half of 2011 and a stronger second half," Baker said.

Industrial construction spending is likely to slump the most this year, 24 percent, and an additional 7.8 percent in 2011, the institute said.

The group expects hotel building to also fall about 24 percent this year, before rising 5.4 percent in 2011.

Spending on office buildings may drop 19 percent this year and then increase 12 percent in 2011, while retail construction is likely to decline 17 percent this year before climbing 3.2 percent next year, the group said.

The Federal Reserve Bank of New York, then led by Timothy Geithner, told American International Group Inc. to withhold details from the public about the bailed-out insurer's payments to banks during the depths of the financial crisis, e-mails between the company and its regulator show.

AIG said in a draft of a regulatory filing that the insurer paid banks, which included Goldman Sachs Group Inc. and Societe Generale SA, 100 cents on the dollar for credit-default swaps they bought from the firm. The New York Fed crossed out the reference, according to the e-mails, and AIG excluded the language when the filing was made public on Dec. 24, 2008. The e-mails were obtained by Representative Darrell Issa, ranking member of the House Oversight and Government Reform Committee.

The New York Fed took over negotiations between AIG and the banks in November 2008 as losses on the swaps, which were contracts tied to subprime home loans, threatened to swamp the insurer weeks after its taxpayer-funded rescue. The regulator decided that Goldman Sachs and more than a dozen banks would be fully repaid for $62.1 billion of the swaps, prompting lawmakers to call the AIG rescue a “backdoor bailout” of financial firms.

“It appears that the New York Fed deliberately pressured AIG to restrict and delay the disclosure of important information,” said Issa, a California Republican. Taxpayers “deserve full and complete disclosure under our nation’s securities laws, not the withholding of politically inconvenient information.” President Barack Obama selected Geithner as Treasury secretary, a post he took last year.

Central bankers will hold talks with banking executives in Switzerland this weekend amid concern financial companies are rebuffing a push to increase regulation and temper risk-taking as the recent crisis ebbs.

The gathering to discuss regulation will take place at the Bank for International Settlements in Basel, according to two Group of Seven central bank officials. The BIS invited commercial bankers citing concerns that they are returning to the excessive-risk patterns that helped spark the global crisis in 2007, the Financial Times reported today.

The meeting comes a month after the BIS urged central banks to take greater account of financial stability and published proposals aimed at forcing banks to hold more and better-quality capital and discourage leverage. The MSCI World Index of stocks has surged 73 percent since its low of last March.

“The central bankers are clearly aiming to head off the excesses that will certainly come out of the very easy monetary policy” put in place during the crisis, said Bill Belchere, global chief economist at Mirae Asset Securities in Hong Kong. “They have no choice but to be prudent and vigilant to grapple with the potential problems and stop bubbles before they emerge.”

The BIS meetings occasionally feature sessions with private banks and this month’s gathering will be such an example, the two officials said on condition of anonymity because the agenda isn’t public. Bank executives usually attend the January meet.

The difference between two- and 10- year Treasury yields widened to within 4 basis points of the most in at least 20 years as the Federal Reserve signaled it will hold its target interest rate at a record low.

The so-called yield curve steepened after minutes of the Fed’s last meeting showed officials believe economic growth will be “rather slow relative to past recoveries.” The Treasury will announce plans for next week’s debt sales today.

“Growth and inflation concerns are pushing up longer yields, while market participants are betting that the central bank will keep rates on hold,” said Michael Markovic, a senior fixed-income strategist in Zurich at Credit Suisse.

The 10-year note yield was 3.83 percent as of 7:10 a.m. in New York, according to BGCantor Market data. The 3.375 percent security due in November 2019 was little changed at 96 9/32.

The rate is 2.82 percentage points more than two-year securities. The spread was 2.84 percentage points earlier today, within 4 basis points of the biggest gap since at least 1990.

The curve widened to a record 2.88 percentage points on Dec. 22.

The government will sell $10 billion in 10-year Treasury Inflation Protected Securities on Jan. 11, $40 billion of three- year notes on Jan. 12, $21 billion of 10-year securities on Jan. 13 and $13 billion of 30-year debt on Jan. 14, according to Wrightson ICAP LLC, an economic advisory firm in Jersey City, New Jersey.

Ford Motor Co. Chief Executive Officer Alan Mulally said investments in the company's car lineup and efforts to pay back debt are helping the automaker make "tremendous progress" in its turnaround effort.

"During this worst recession, we chose to increase our investment in new vehicles that people want and value," he said in an interview from the Consumer Electronics Show in Las Vegas. "Now we are delivering on that product promise, and we're actually paying the loans back and improving our balance sheet."

Ford, which reported a 33 percent sales rise in December, gained U.S. market share last year for the first time since 1995. New models like the Ford Fusion are fueling orders at the Dearborn, Michigan-based automaker. Its shares have more than quadrupled in the past year, reaching the highest level in almost five years.

"The consumer loves a company that not only has a strong product line but is creating a strong business, and they know they are going to be around," said Mulally, 64. "The goodwill that everyone has for Ford far outweighs the disadvantages that Ford has now."

Ford is reaping the benefits of Mulally's plan to invest in new models with much of the $23 billion the automaker borrowed in late 2006. Ford put up as collateral all major assets, including its name, to secure that lending, which allowed the company to stave off the bankruptcies that befell General Motors Co. and Chrysler Group LLC last year.

Treasuries were the worst performing sovereign debt market in 2009 as the U.S. sold $2.1 trillion of notes and bonds to fund extraordinary efforts to bolster the economy and financial markets.

Investors in U.S. debt lost 3.5 percent on average through Dec. 30, according to Bank of America Merrill Lynch indexes, the biggest annual slide since at least 1978. The 10-year Treasury yield reached its highest level in six months yesterday before a Labor Department report next week forecast to show payrolls were unchanged in December after the U.S. economy lost jobs in every month since January 2008.

Defense contractor Lockheed Martin of Bethesda said that it plans to cut 1,200 employees by the spring as it consolidates two of its business units and that it foresees a slowdown in its upcoming work from the Pentagon. [they have already cut 730 jobs.]

The number of Americans filing first- time claims for unemployment benefits rose less than forecast last week from the lowest level in more than a year, indicating jobs cuts are waning as companies become more confident in the economy.

Initial jobless applications increased by 1,000 to 434,000 in the week ended Jan. 2, fewer than the 439,000 claims economists anticipated, Labor Department figures showed today in Washington. The number of people receiving unemployment insurance dropped in the prior week to 4.8 million, and those receiving extended benefits increased.

Improving sales and production gains are prompting companies to slow the pace of firings as the economy recovers from the worst recession since the 1930s. Labor Department data tomorrow may show employment was unchanged in December after almost two years of job cuts.

This is clearly a strong number, said Maxwell Clarke, chief U.S. economist at IDEAglobal in New York, who forecast claims at 435,000. Looking forward, you should see slow and steady improvement and a return to positive payroll numbers.

The four-week moving average of initial claims, a less volatile measure, fell to 450,250 last week, the lowest since the Sept. 13, 2008, from 460,500 the prior one. Claims have fallen 36 percent since reaching a 26-year high of 674,000 in the week ended March 27.

The Federal Reserve’s latest weekly money supply report Thursday shows seasonally adjusted M1 rose by $1.7 billion to $1.688 trillion, while M2 rose $16.4 billion to $8.413 trillion.

Two high-ranking Maricopa County officials confirmed late Thursday that they will testify next week before a federal grand jury exploring allegations that the Maricopa County Sheriff’s Office has abused power.

County Manager David Smith and Assistant County Manager Sandi Wilson said they were preparing to testify before the grand jury on Wednesday.

Sheriff Joe Arpaio denied any knowledge of the grand jury, but news of sheriff’s officials being called to testify before a federal panel has been circulating in county circles for months.

Republic sources have confirmed that at least three high-ranking sheriff’s officials, including a captain and two chief deputies, have testified before a federal grand jury in the last four months, though the nature of their testimony remained unclear.

“I’m not going to comment on that situation,” Arpaio said Thursday. “We’re just going to continue doing our job and our investigations that we have in progress.”

US job losses resumed in December after revisions showed payrolls rose in November for the first time in nearly two years, the Labor Department estimated Friday. Nonfarm payrolls fell by a seasonally adjusted 85,000 in December following a revised 4,000 gain in November. During 2009, payrolls fell by 4.2 million. Since the recession began two years ago, payrolls have fallen by 7.3 million. The official unemployment rate remained at 10% in December. An alternative gauge of unemployment, which includes discouraged workers and those forced to work part-time, rose to 17.3% from 17.2%. Details of the report were weak, with few signs of further improvement in labor conditions. [John Williams net unemployment figure is 22.7%, our figure is 22.5%.]

We find it comical that the Fed says it is going to wind down the control bank’s purchases of toxic mortgage securities in March and a day later says they may continue them. The excuse is they are concerned that the housing market may collapse without their assistance and 30-year fixed rate mortgage might rise to 6-1/4%. Not to mention staggering real unemployment, which stands at 22.5%.

December Challenger job cuts were at the lowest level in two years. Employers announced 45,094-planned job cuts in December, the fewest since 12/07. That was a 73% decline year-on-year.

Monster Worldwide's barometer of online employment said its index fell to 115 in December from 119 in November, the lowest in five months.

Incidentally, there are now more government employees than goods-producing workers in the US.

For the week of January 6th, commercial paper fell by $94.2 billion to $1,076 trillion, which is substantial.

We find it of great interest that Timmy, the dwarf, Geithner, removed the bailout limitations on Fannie and Freddie on Christmas Eve, when no one was around to see the news on the major media. This is what you could expect from a habitual tax cheat and a crook.

Worse yet, as head of the NY Fed he pressured AIG to violate SEC laws by instructing them to withhold from the public details of a $200 billion taxpayer bailout of AIG. We paid these bankers 100% on the dollar for worthless paper. The dwarf should be thrown out of his job immediately and be tried for tax fraud.

In case you missed it, Barney Frank found Geithner and the Fed's actions troubling. This proves again Washington is a criminal enterprise and a den of thieves. Where does it end? We will tell you if we can't clear out Congress we are doomed.

FED POLICY MAKERS SAW COMMERCIAL REAL ESTATE `DETERIORATING' *A FEW FOMC MEMBERS SAID MORE STIMULUS `MIGHT BECOME DESIRABLE' *FED POLICY MAKERS SAW GROWTH STRENGTHENING OVER NEXT TWO YEARS

*FOMC MEMBERS SAW NEED TO WATCH IMPACT OF DOLLAR ON INFLATION *SOME ON FOMC SAID WIND-DOWN OF MBS PURCHASES MAY HURT HOUSING *FED POLICY MAKERS AGREED ON NO CHANGE TO ASSET PURCHASE PLANS

*FOMC MEMBERS SAW NEED TO WATCH IMPACT OF DOLLAR ON INFLATION*FOMC MEMBERS PREDICTED UNEMPLOYMENT TO BE HIGH FOR `SOME TIME'

*FOMC MEMBERS SAW ASSET VALUES NOT OUT OF LINE WITH FUNDAMENTALS

*FED POLICY MAKERS SAW SECURITIZATION MARKETS `IMPAIRED'

*FOMC MEMBERS PREDICTED `RATHER SLOW' RISE IN OUTPUT, EMPLOYMENT

*FOMC MEMBERS PREDICTED `SUBDUED INFLATION' FOR THIS YEAR

*FED POLICY MAKERS PREDICTED `MODERATE GROWTH' IN 2010 *FOMC MEMBERS SAW ECONOMIC GROWTH STRENGTHENING IN 4TH QUARTER

*ONE FOMC MEMBER THOUGHT ASSET PURCHASES COULD BE SCALED BACK

*A FEW FOMC MEMBERS SAID MORE STIMULUS `MIGHT BECOME DESIRABLE'

Either the Fed is engaged in a policy of 'good cop/bad copping' the markets or there is confusion if not internecine fighting about Fed policy and economic expectation. Just a couple days ago, Bill Gross stated that the Fed would renew MBS monetization later this year. Then a Fed official and the 12/16 FOMC minutes said the same thing. It's almost as if Gross has a direct pipeline to the Fed!

We always warn that investors and traders should heed Fed action and not its rhetoric. Our view is the Fed is removing juice but in order to keep the patrons and lemmings from a panic run to the exits, they periodically send out officials to spew 'more juice' talk.

The Institute for Supply Management's nonmanufacturing index doesn't get as much attention as its manufacturing index, which helped drive Monday's rally. But it should.

The nonmanufacturing sector comprises 88% of the economy, and it follows that most of the nation's jobs are in services ranging from construction to finance to pet care. While the worst of layoffs appear to be over, the services report is likely to show that hiring remains elusive…

A critical component of the services-sector index is even weaker: jobs. The employment sub-index, factored into the overall number, has contracted for 22 of the past 23 months, according to ISM. November's 41.6 reading of service-sector employment remains in contraction territory.

The Wall Street Examiner reports December tax receipts are down 7.7% yoy.

The December 2009 ISM purchasing managers manufacturing survey surged in yesterday's (January 5th) reporting, with the seasonally- adjusted diffusion index (50.0 and above is positive) rising to 55.9 from 53.6 in November. Set annually by the Department of Commerce, however, the seasonal adjustments have changed meaningfully during and due to the recession. If the pre-recession seasonal factors used in 2007 (based on 2006) were applied, the November index would have been at 53.3 instead of 53.6, but December would have been 54.0 instead of 55.9.

Although the index still gained in December using the 2007 seasonals, the gain was 0.8 versus the 2.3 points reported. The employment component officially increased from 50.8 in November to 52.0 in December, but using the 2007 seasonals, the increase was from a contractionary 49.8 to 51.1.

Government deficits have caused the U.S. savings rate to turn negative for the first time since the Great Depression, and the gap is widening even as households and companies put away more money than ever before. http://www.bloomberg.com/apps/news?pid=20601087&sid=aexjnfkHISt0&pos=7

As part of the Barney Frank proposed Manager's Amendment, which will accompany HR4173, the "Wall Street Reform and Consumer Protection Act of 2009", are three little-noticed rules that, if adopted, will make shorting stocks if not impossible, then extremely problematic and difficult. It is obvious why these rules would end up in an amendment: the outcry from retail and institutional traders would have been huge had these proposals made the full text of the proper Bill, and into the full view of the Mainstream Media. So why bother with these – simple. As everyone is aware, Ponzi schemes only work when constantly growing, as otherwise they blow up, implode under their own weight, once price discovery is attempted by all.

California Gov. Arnold Schwarzenegger on Wednesday asked Washington for funds to help close his state's massive budget shortfall — a move some other states are likely to follow in coming months as they deal with their own fiscal woes.

"The federal government is part of our budget problem," the Republican governor said in his annual State of the State address, reiterating a longstanding complaint that California sends far more money to Washington than it receives in return. Mr. Schwarzenegger also said federally mandated spending of state money has further strained California's coffers.

"We no longer can ignore what is owed to us," he said, adding that Washington owes the state billions of dollars for various programs. He criticized elements of congressional proposals to overhaul the health- care system, saying California could be saddled with billions of dollars of additional annual spending.

President Barack Obama signaled to House Democratic leaders Wednesday that they'll have to drop their opposition to taxing high-end health insurance plans to pay for health coverage for millions of uninsured Americans.

In a meeting at the White House, Obama expressed his preference for the insurance tax contained in the Senate's health overhaul bill, but largely opposed by House Democrats and organized labor, Democratic aides said. The aides spoke on condition of anonymity because the meeting was private.

As much as $9.5 million in federal stimulus dollars went to 14 zip codes in Virginia that don't exist or are in other states, Old Dominion Watchdog (http://virginia.watchdog.org) reports. The fake zip codes were listed on Recovery.gov, the federal Web site that is supposed to track how the stimulus money is being used. The phony zip codes are a new wrinkle in Recovery.gov's increasingly tattered credibility.

The US is pursuing a policy similar to what the French pursued after its Mississippi Bubble burst – protect the aristocracy but crack down on the masses. We all know what eventuated.

Tax collections nationwide declined by 10.9 percent during the third quarter of 2009, the third consecutive quarter during which tax revenues fell by double-digit percentages, according to the latest report from the Rockefeller Institute of Government.

For the fourth quarter of 2009, early data showed continuing declines, although the negative trend of the past year appeared to be moderating.

During the third quarter of 2009, personal income tax revenues for the states declined by 11.8 percent, when compared with the same period a year earlier. Personal income taxes represent one of the three major sources of revenue for the states. The other two, sales taxes and corporate income taxes, fell by 8.9 percent and 22.6 percent, respectively.

Yet US bean counters produced wonderful retail sales, income and GDP data for Q3; and US corporations reported 'great' earnings on cost cutting…Good thing US corporation are allowed to run two sets of books – one for taxes and one for the public.

Rents fall 0.7 percent in the fourth quarter.

The Exhaustion Rate of unemployment benefits as of November 30, 2009 is 53.78%, another new high.

For the week ended 12/19 10.42 million Americans are receiving unemployment benefits. 5.44m in ‘extended claims’ (week ended 12.19); and 4.981m of ‘continuing claims’.

Hoenig Says Fed Should Eventually Lift Main Rate to 3.5%-4.5% Federal Reserve Bank of Kansas City President Thomas Hoenig said the central bank should move “sooner rather than later” to reduce stimulus, with a goal of eventually boosting the benchmark interest rate to “probably between 3.5 and 4.5 percent.”

“The process of returning policy to a more balanced weighing of short-run and longer-run economic and financial goals should occur sooner rather than later,” Hoenig, who votes on monetary policy decisions this year, said today in a speech in Kansas City.

> “Maintaining excessively low interest rates for a lengthy period runs the risk of creating new kinds of asset misallocations, more volatile and higher long-run inflation, and more unemployment — not today, perhaps, but in the medium- and longer-run.”…

The purchases brought the U.S. central bank’s purchase of mortgage bonds guaranteed by Fannie Mae, Freddie Mac and Ginnie Mae to roughly $1.123 trillion since January of 2009…The Fed aims to buy $1.25 trillion of agency MBS in a bid to bring down mortgage rates and to stimulate the battered housing sector and the overall economy.

US House lawmakers may agree to pay for the nation’s health-care overhaul by adopting versions of Senate proposals to raise Medicare payroll taxes and tax health benefits for the first time, Democratic aides said.

The Senate measure would impose a 40 percent excise tax on employer-provided insurance plans worth more than $8,500 for individuals and $23,000 for families.

Shipping giant UPS Inc. will cut 1,800 management and administrative jobs, less than 1 percent of its global work force, as it repositions itself for a gradual economic recovery.

About 1,100 employees will be offered a voluntary separation package as part of the work force reduction, which is meant to streamline the company’s U.S. small package segment. Other cuts will come through attrition and layoffs. The U.S. small package segment represents roughly 60 percent of UPS’ annual revenue. It handles shipments of up to 150 pounds by ground and air.

U.S. investors oppose federal initiatives that would force them to give up control over their 401(k) accounts, the Investment Company Institute said.

Seven in 10 U.S. households object to the idea of the government requiring retirees to convert part of their savings into annuities guaranteeing a steady payment for life, according to an institute-funded report today.

“Households’ views on policy changes revealed a preference to preserve retirement account features and flexibility,” the institute, which represents the mutual-fund industry, said in the report.

The U.S. Treasury and Labor Departments will ask for public comment as soon as next week on ways to promote the conversion of 401(k) savings and Individual Retirement Accounts into annuities or other steady payment streams, according to Assistant Labor Secretary Phyllis C. Borzi and Deputy Assistant Treasury Secretary Mark Iwry, who are spearheading the effort.

The institute's member companies manage $11.6 trillion of assets in mutual funds, including employer-sponsored 401(k) accounts. Some lawmakers have questioned the public-policy value of the tax benefits for people investing in retirement accounts, the ICI said in a report today.

The average 401(k) fund balance dropped 31 percent to $47,500 at the end of March 2009 from $69,200 at the end of 2007, according to a Fidelity Investments review of 11 million accounts it manages. The Standard & Poor's 500 Index tumbled 46 percent in that period. The average balance of the Fidelity accounts recovered to $60,700 as of last Sept. 30 as the stock market rebounded.

Senator Herb Kohl, chairman of the Senate Special Committee on Aging, proposed legislation on Dec. 16 to require fund companies to do more to ensure 401(k) options are appropriate for workers. The Wisconsin Democrat cited reports that target- date funds designed for people retiring in 2010 invested in high-yield, high-risk corporate bonds.

Representative George Miller, a California Democrat, is advocating legislation to require more disclosure about 401(k) fees paid by investors. The Education and Labor Committee, which Miller leads, approved a bill requiring more disclosure about fees in June.

The ICI survey was based on a telephone survey of 3,000 households from Nov. 20 to Dec. 20 and had a sampling error of plus or minus 1.8 percent.

We wonder if the public realizes that all the bad debt bought up by the Fed, more than $2 trillion, will in part eventually have to be assumed by the taxpayer. Some realize the problem, and they seem to be in denial, the rest simply don't understand. In time the gravity of the situation will become reality. The present economic buoyancy is mainly based on inventory recapitalization and accumulation, but the underlying demand has to appear and with unemployment hovering around 23% how can policymakers believe that a recovery can carry through? The bullet should have been bitten 2-1/2 years ago and the system purged. The longer they wait to solve this painful problem the worse it is going to be. As quantitative easing and higher interest rates take their toll do these elitist have the fortitude to carry their program through? We dispute that they do. The distortions are going to be deep and large, particularly in both residential and commercial real estate. The later actions will bring the US and world economy into total deflationary economic and financial depression. These ideas are considered heretical but then again this publication is usually correct, and those who disagree are more often than not in denial. Unfortunately the experts, who are usually wrong, believe we are delusional, when in fact it is they who refuse to recognize the truth, and it is they and those they council who pay the price. These are the same people who believe the people at the Fed and others are blameless in this catastrophe.

The Fed, as we have in the past, pointed out intercedes into and manipulates markets. The two markets within their historic purview have been currencies and the Treasury market. It is our opinion that in regard to the ten-year Treasury note the Fed's efforts have reduced yields by ½%, or 50 bps, and perhaps more. Their affect on agencies such as Fannie Mae, Freddie Mac, Ginnie Mae, FHA and collateralized debt obligations has been greater by some

1% plus. The Fed purchases are presently estimated to be in the vicinity of $1 trillion or about 2/3's of existing issues in mid-range yields. One of the big questions is who were the sellers and what were the prices paid by the Fed. They have thus far refused to release this information. The Fed has recently said they will start to slowly sell these securities. The question is at what price? The Fed may have relieved the holders, mostly banks, of the MBS, but at what price? This is simply another taxpayer bailout of the people who caused the problem in the first place. As a result the public is furious and they have sternly passed their anger on to their representatives in Congress, who were responsible for massive support of Ron Paul's HR1207 and the bill to audit and investigate the Fed. This and the health care legislation will see many Democrats not returning to Congress next year. The public mistrusts the Fed now more than the IRS.

Even if the Fed does not raise interest rates soon the market will do it for them, and that looks like it is in progress. We see a 5%, 10-year T-note by year end, and a 6-1/4%, 30-year fixed rate mortgage. Some believe this will strengthen the dollar, hence the recent rally led by Goldman Sachs, which looks like it has failed at least for now, and a peaking in gold prices. There is no trust left in the Fed or the dollar and no confidence for the future and that is why dollar rallies born by the Fed won't sustain. The same lack of confidence is reflected in gold prices. A small upward move in interest rates is not going to deter the rally in gold. Interest rates would have to move to 8% to become a factor in gold prices. The flight to quality is too strong for rates to overcome and at the same time higher rates are not going to have any lasting affect on the value of the dollar. That is reflected in the fall of dollar forex reserves by foreign central banks over the past six months. They fell from 64.5% to 61.8% – enough said.

We would like to believe those figures, but government's lie so much today we have to take them with a grain of salt. Current economic figures in the US economy are all skewered. The inventory liquidation has been furious and is probably over. This has not been much of a recovery considering the massive amount of liquidity stuffed into the financial system. That said we find it difficult to see how anyone can believe that improvement can be greater than what we have already seen. We believe the employment improvement in December and again in January will be fed by retail job gains and the employment of census takers. Those events have already been discounted. We are looking forward to the February figures that will be adjusted by 885,000 phantom jobs created by the birth/death ratio. In reality that figure should be 1.7 million. Just to show you how thick the propaganda is December figures showed a loss of jobs, yet some economists said they were unchanged.

Fourth quarter GDP will probably officially be about 3.2%; the real numbers will be more like 2%.

We stand frozen as the Treasury and the Fed, instead of cutting spending and liquidity, continue to increase it. GMAC has received more taxpayer largess in the billions of course – corporatist fascism marches on. Our latest Christmas present was the perpetual funding of Fannie Mae and Freddie Mac by our Treasury. Once additionally funded those funds will clean up the rest of the CDOs in the market and bail the Fed out of the toxic waste it has been accumulating. Thus far that is about $1.2 trillion. That leaves $600 to $800 billion to go. This should swell taxpayer debt by another $3 trillion. This move is in anticipation of higher interest rates during the year. Not many people are going to qualify for loans at 6-1/4% to 6-1/2%. It looks like the Fed will continue to buy toxic waste and then roll it over to the Treasury. That will enable the Fed to make more loans they shouldn't be making to the residential real estate market. That will lead to ever more inflation.

The elitists continue to play their game not believing that anyone understands what they are up too. Each day they delay the inevitable as more of the world public awakens via newsletters, talk radio and the Internet. The average American and those of other nations have seen their home slip away, their retirement lost and their net worth destroyed. Their jobs, now some nine million in the US, have been shipped to foreign lands by transnational conglomerates run by Illuminists, under the guise of free trade, globalization and offshoring and outsourcing. This as taxes rise along with inflation squeezing them even further. They see their markets manipulated by their government. They see the banks, Wall Street and insurance being bailed out and a bone being thrown to the public. Is it any wonder the public is disgusted.

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