

Towards an Inflationary Depression

A macroeconomic review

By [Bob Chapman](#)

Theme: [Global Economy](#)

Global Research, June 20, 2009

[TheInternationalForecaster.com](#) 20 June
2009

As Emperor Obama (Romulus the Usurper) fires GM's CEO, steals money from Chrysler's bondholders, puts together Public-Private Investment Partnerships (PPIP's) that will privatize gains and socialize losses in an attempt to stabilize derivative prices by having banks buy their toxic waste from one another in the usual "smoke and mirror" tradition of Wall Street, and creates what currently is an annualized 1.8 trillion dollar federal budget deficit that will grow exponentially over time to finance zombie banker bailouts, to fascistically nationalize the financial, insurance and auto manufacturing industries, and to provide inane, flash-in-the-pan, socialistic spending programs (euphemistically called "stimulus packages" that will do little or nothing to stimulate production or to create permanent jobs), while simultaneously supporting the Fed's actions, which amount to little more than using chewing gum and bailing wire to keep the money and credit markets from collapsing as it creates and distributes, in arrogant, secretive, crony-capitalist fashion, a gargantuan pile of counterfeit monopoly money in an amount on par with total US GDP for an entire year, you can just sense and feel that there is now a runaway, hyperinflationary freight train rumbling down the tracks at ever greater speed that is soon going to derail and create a train wreck out of our economy.

Since hyperinflation is clearly in our future, let's talk about what inflation really is, what causes it, what the different degrees or levels of inflation are, and what it takes to put a stop to inflation?

By modern definitions, inflation is basically an overall increase in the prices charged for goods and services in a particular economy over time. This is a pretty simple concept, but there is some real confusion as to what the root cause of inflation is. It does not come from people willy-nilly charging more for their goods and services. People can raise prices all they like, but if there is not enough money and credit available to purchase their goods and services at the prices they are charging, they will eventually have to either lower their prices, or expect to make far fewer sales.

What you have witnessed for the past two years is the above concept in overdrive, especially in the real estate and automobile markets, as the supply of money and credit has greatly contracted for all but the anointed Illuminist institutions that are parking their profits and bailout money at interest with the Fed for fear that they might lend it out to a zombie financial institution or business corporation and never get it back. As their money is sidelined with the Fed to sterilize it (i.e. to keep it from stoking inflation) the smaller fry who depend on them for their supply of financial capital are being allowed to die of money and credit starvation so the anointed can purchase the most valuable parts of their financial

carcasses at pennies on the dollar via bankruptcy auctions and fire-sales in a blatant attempt to eliminate their competition and consolidate their power. This deflationary contraction in the supply of money and credit due to the exposed loan, mortgage and derivative fraud is a strong undertow to our economy which threatens to drag it out to sea until it runs out of air and drowns. The Fed must therefore inflate and swim for shore, or die. And inflate they will. We can absolutely guarantee it. Obama will go down in history as the King of Stagflation, as he joins forces with the inimitable Gordon Brown, the King of Fire-Sale Gold.

On a microeconomic scale, prices for specific goods and services are usually set by supply and demand (that, of course, would be in a free economy which we no longer have, so manipulation becomes an input for pricing specific goods and services in our economy, and is sometimes even the main input, as with gold and silver prices). However, the microeconomic factors which determine prices for goods and services are by far trumped by the macroeconomic factors of supply and demand. The supply side on a macroeconomic scale is determined by the amount of goods and services that are produced for sale in the overall economy. The demand side on a macroeconomic scale is the amount of money and credit available to the overall economy with which those goods and services can be purchased, or expressed another way, the amount of money and credit that is available to chase after those goods and services.

This is why the price of gold and silver must eventually skyrocket. The microeconomic supply, demand and manipulation factors which currently have sway over gold and silver prices will eventually be trumped by the macroeconomic factors, namely, a profligate increase in the supply of money and credit to unheard of levels which will drive prices up across the board. The Fed cannot suppress the price of all goods and services as it rampantly expands the supply of money and credit, and can only influence a chosen few, such as gold and silver, which are suppressed because they are the canaries in the coal mine. When everything else gets more expensive, and as fiat currencies are shown to be the “worthless paper” they really are, gold and silver will become the only real safe-havens from the resulting inflation and financial deterioration. That will then generate a demand for precious metals that is so great, it will drive the price of gold and silver up until they catch up with the overall supply of money and credit, and there is nothing the Fed can do to stop it, short of pulling the plug on money and credit and destroying our economy, along with the privately owned Fed itself and its Illuminist cronies with it. This eventual destruction is planned to be sure, in order to pave the way for a one world Orwellian police state. The trick for the Illuminists is how to get out of their paper assets and convert them to real assets **on the cheap** before pulling the plug on money and credit. The problem is that as they bail out of paper, and into tangible assets, along with other foreign creditor nations anxious to trade their “worthless paper” in for things of real value, their bailing activities will drive inflation, and the price of gold, silver and other tangible assets, to unheard of levels, thereby dramatically decreasing the amount of tangible assets that they can absorb with their dollar reserves and their sales proceeds from the dumping of paper assets. The US and its creditors will be competing with one another in the race to dump dollar-denominated paper assets in exchange for precious metals, commodities, real estate, factories and equipment and other tangible assets, as well as shares in companies which own such assets, including shares in gold and silver producers.

The obvious answer is, of course, that they can't pull this off on the cheap, and they will use the resulting hyperinflation to wreck the rest of the economy while they are

desperately attempting to bail out of dollar-denominated paper assets behind everyone's backs, as part of their Big Sting Two criminal enterprise. They will attempt to accomplish this insider trading scam in secret through unregulated dark pools of liquidity such as Project Turquoise and Baikal, as well as through the unregulated gambling casino which some dare to call the OTC derivatives market. They will use their sales proceeds to buy all the real, tangible assets they can get their hands on and leave everyone else holding a bag full of "worthless paper," aka Federal Reserve notes, US Treasury bonds and GSE bonds.

But the amount of "worthless paper" is so great, and there are so many substantial players who will be trying to do the same thing, that market chaos will result, and the paper assets will deteriorate, and the price of tangible assets will simultaneously appreciate, at a rate that leaves everyone breathless. Truly, this will be a situation where he who loses the least, and he who buys gold and silver and their related shares early on, are the ultimate winners.

The biggest losers will be those who fail to take physical delivery of their precious metals, such as gold and silver ETF shareholders and holders of mint certificates, who will be thoroughly Madoff'd, as well as holders of any leveraged gold and silver futures positions who will be wiped out by manipulations before the final run-up, thus losing all their investment capital.

The elitist oligarchs who run America, Canada and Western Europe and their privately owned central banks own tens of thousands of tons of gold already, and will seek to take the proceeds from the sale of their paper assets and use them to increase their gold holdings in an attempt to maintain monetary dominance over major players like China and Russia, who will also attempt to add to their holdings by many thousands of tons. There is only so much gold to go around, and when all the big players become gold bugs themselves, gold, and also silver, will go ballistic. They want the gold mine (literally), while you get the shaft. That is, has been, and always will be, "The Plan." Bernanke and Geithner are now Obama's twin Tattoo's, with our apologies to the producers of "Fantasy Island," a show which has become a perfect metaphor for what the US economy with its so-called "Green Shoots" has become. De plan, boss, de plan. De plan indeed.

On a technical macroeconomic basis, an economy suffers from inflation when the amount of its total money and credit available over a period of time (the demand) grows at a rate in excess of the rate of growth in its total value of goods and services produced over that period of time (the supply), which valuation is based on price levels in effect at the beginning of that period of time. In more simple terms, inflation occurs when the rate of expansion of the supply of money and credit exceeds the rate of expansion in the production of goods and services. In fact, in the past when we still had a modicum of integrity in measuring economic statistics, inflation was defined as an increase in the supply of money and credit, period. Higher prices were simply a symptom of inflation, not a definition of inflation. The supply of money and credit was what was inflated, not the prices of goods and services, which simply rose as a direct outcome of the inflated supply of money and credit.

Since central banks are currently in control of the supply of money and credit in most modern economies, it is the banker-gangsters who are, ergo, solely responsible for any overall increases in inflation, and that goes double for any large increases.

In the US, the privately owned Fed plays the role of our central bank, and it presides over our nefarious banking system, which is a fiat-money, debt-based, European form of fractional reserve banking that once powered the British mercantilist system. All major US inflationary issues and debacles can therefore be squarely placed at the doorsteps of the

Fed, and of our Treasury Department, which is little more than a doormat for the Fed, which together with Wall Street, runs a revolving door with the Treasury. In fact, our current Treasury Secretary is the former President of the New York branch of the Federal Reserve Bank. So much for checks and balances and avoidance of conflicts of interest.

We now have the Fed increasing total money and credit (M3) at a rate of 18% while our GDP is **contracting** at a rate of **minus** 6%. That is a 24% differential, and that means that the amount of goods and services being produced has an ever-growing supply of money chasing after it, money and credit that is growing at a pace that is 24% more than the pace at which goods and services are growing. Based on all the foregoing, we'll give you three guesses as to what the outcome will be somewhere down the road when the Fed's ever-burgeoning money blob starts chasing after a shrinking supply of goods and services.

Inflation comes in basically three varieties. Normal inflation, which is basically harmless, is a temporary increase in prices caused by an increase in the supply of money and credit by the central bank which is intended to precisely anticipate the rate of growth in the production of goods and services. You have more money and credit, but you also have more goods and services being produced. The temporary bout of minimal inflation caused by the anticipatory increase in the supply of money and credit is offset or absorbed by the greater pile of goods and services that is accumulating, so prices remain stable over time. This is obviously not an exact science, so there are some up-ticks if the money supply grows a little too fast, but over time this can be corrected. It is best to overshoot a little so as not to start an economic contraction, which, if left unchecked, could lead to a recession or depression.

The next type of inflation we would characterize as elevated inflation. This is what we have currently at a rate of about 10% and growing. This type of inflation results where the central bank consistently grows money and credit at a rate far in excess of the rate of growth in the production of goods and services, measured in terms of GDP growth, over an extended period of time. What the Illuminati have done for over 20 years now, was to have the Fed, which they privately own, raise the level of growth in the supply of money and credit to ludicrous levels, while they simultaneously ordered their lackeys at the BLS to lie about the rate of the resulting inflation by using hedonics (statistical manipulations) that were intended to greatly understate inflation. As a result, when real GDP was calculated, the GDP deflator, which is based substantially on the official (and falsely low) rate of inflation, and which is used to calculate **real** GDP, was obviously far too low. This farce resulted in higher levels of real GDP than were warranted by the data, because inflation was not being properly taken into account.

This is how they covered up the destruction of our economy via free trade, globalization, off-shoring and outsourcing, along with both legal and illegal immigration (slave labor). If the true figures were used, our real GDP would show that the rate of growth in our economy has been virtually flat to negative since 1990. That means all the growth in our stock markets since the early 1990's has been nothing but false puffery, which resulted from profligate growth in the supply of money and credit, and not from growth in production. For this reason, when the Dow finally bottoms, we expect it to track back to its levels during the early 1990's, which means roughly 2,500 to 3,500. That level will destroy everything, especially the wealth of our middle class, but the elitists themselves are going to take it on the chin. They are afraid the system will implode before they can bail, and that they will go down with the ship also. We wholeheartedly confirm their fears.

The Illuminati are about to learn a hard lesson: Hell hath no fury like an American deceitfully parted from his money!!! These unfortunate souls now risk being torn to shreds by rabid mobs using their bare hands. They have gone way beyond tar and feathers this time, or a humane execution. A large portion of the American people will not go into their internment camps, but will instead expend their last breath and bullets tracking these miscreants down like dogs. They will be chased relentlessly to the utter ends of the earth until they are systematically and utterly destroyed. You can run, but you can't hide, from angry Americans robbed of their health and their wealth. If they try to hide in their bunkers, Americans will get small nukes from our nuclear arsenal and our patriotic soldiers, or from the Russians or Chinese, drill a hole down into their lair, drop the warhead down, and detonate it in their rabbit hole. They'll go out in a blaze of glory! Have you really thought this thing through, morons?

The final type of inflation is what we would call hyperinflation. This is the nightmarish stuff which destroyed Germany's Weimar Republic and Zimbabwe. But you don't get to hyperinflation by having the government simply increase spending. You cannot attain million percent and billion percent inflation through government spending alone, as they could never spend money at such levels under normal circumstances to fight a run-of-the-mill recession or depression. No, to get this type of runaway inflation, or hyperinflation, requires two ingredients. The first ingredient is currency speculators. And the second ingredient is a central bank that is corrupt enough, or moronic enough, to print as much money as those speculators demand, creating a carry trade in that currency that destroys it in hyperbolic fashion. This is what really destroyed the German and Zimbabwean currencies utterly. The speculators are loaned currency from the central bank, which they sell short into the international currency market for stronger currencies in anticipation of further declines.

They keep borrowing money as long as the central bank cooperates and prints it, thus driving down the value of the currency ad nauseam. It's like being able to have your own self-fulfilling prophecy.

In the case of Germany's Weimar Republic, and the rise of Hitler to power, we see the shadowy hands of the US and European Illuminists all over this situation. Hitler was more of a madman than a genius. The genius part came from the US and European Illuminists who sponsored, supported and aided Hitler in resurrecting Germany as a militaristic police state so we could have a second world war to take us out of the Illuminist-created Great Depression. They told Hitler that they would destroy the German mark to break Germany out of the clutches of the admittedly onerous and disgusting Treaty of Versailles, which required Germany to make reparations to Allied nations in amounts that were impossible for a country destroyed in a world war to manage. Germany would pay their reparations with increasingly debauched German marks. (Does this not sound familiar with what the Fed and US Treasury are up to as they debauch the dollar in a stealth default on their debts to international creditors?)

Looks like they are taking another page out of Hitler's Nazi playbook, which they originally wrote for Hitler). The Illuminists, on their part, had their currency speculators keep borrowing from Germany's recently privatized central bank, which was more than happy to print the German mark out of existence as the currency speculators did their dirty work. This then created the financial and social chaos, which brought Hitler to power, and was the perfect excuse to set up the Jews, with their many banking connections, as scapegoats.

But the Illuminists also did something very, very interesting. Once Hitler came to power, they told Hitler to have his fledgling Nazi government issue a new German currency that was only good inside Germany so it could not be manipulated by outside speculation, and told him to print only as much currency as would be needed to cover the anticipated production that would occur as Germany underwent reconstruction and remilitarization. This was their idea as Hitler was hardly that well versed in economics to come up with it on his own. Hitler of course had his own German advisors, but we can assure you that they got most of their ideas from the Illuminist Puppet Masters, who were experts on currency manipulations and on monetary history. In fact, it was the Puppet Masters and their predecessors who in fact made much of monetary history. This move, of course, worked, as the Illuminists knew it would, and soon Nazi Germany, with all kinds of financial and political support from the Illuminists, was ready to start its conquest, thus generating trillions in profits for the US military-industrial complex, and providing an escape from a terrible depression.

We can assure you that the war-to-escape-depression idea will be used again shortly. We wonder who the next Hitler will be who will take us into World War III to put an end to the Much Greater Depression that is currently underway and getting worse by the minute. Stay tuned. You haven't seen anything yet.

The second part of the above dissertation will appear in the next issue.

Whether people realize it or not we started an inflationary depression in February. You wouldn't know that reading the mainstream media, or by listening to criminal enterprises known as Wall Street and government. The US dollar is on its irreversible path to losing its status as world reserve currency, as we enter the worst depression in our nation's history. Americans may be unaware of it, but we know as do many foreigners that America is bankrupt. This knowledge is going to continue to inhibit the purchase of US government debt and will induce dollar holders to sell current dollar holdings. These countries have their own problems and they do not think it is their responsibility to fund US deficits.

The BRIC nations led by China and Russia are going to use each other's currency in trade as much as possible and they want a new international trading unit or currency. The Russians said they want gold to be weighted in SDR's, Special Drawing Rights, to gain more balance within the unit.

We are seeing the beginnings finally of foreigners hesitating to continue to accumulate dollars and to fund the profligate lifestyle of Americans and America's imperial outreach. They obviously are serious because the US asked to attend the meeting of the Shanghai Cooperation Organization and were refused. A rebuttal, something US elitists have not experienced in some time. This was a very important meeting for the six nation participants and refusing entry to the US was certainly a political and diplomatic slap in the face, something that was completely ignored by the controlled media.

The problem America has is that the conclusions of the BRIC nations will put major continual downward pressure on the dollar and short of world war there is little they can do about it. These nations are now determined to replace the dollar as the world's reserve currency. That means the dollar is headed lower and that means inflation will rise as the cost of imported goods rises. It also means all things traded or denominated in dollars will be more expensive - inflated. Over the last ten years we've had just the opposite, cheap foreign goods keeping down US inflation. It is going to prove very expensive for Americans.

The wild creation of money and credit will most certainly bring on hyperinflation. It will be far too copious and strong over the next few years for deflation to take over, but ultimately deflation will win out.

The world banking system, as we know it is about to slide into history, as did the Oracle at Delphi, which so long ago played central bank and eventually brought tragedy to Greece. The days of our current elitists are numbered. We are not children to be simply dealt with. We may think our republic is democratically free, but it isn't. It is controlled by a privately owned Federal Reserve just as England is with the Bank of England.

The next move by BRIC nations will be to extend their influence throughout Asia and bring an end to American and British meddling in the region. This will be done in part by not recycling dollars – or in fact refusing to use them. No more dollar losses and no more funding for America's military machine. It means the end of American dominance. There now will be a race to dump dollars.

Special Drawing Rights, SDRs, are not the answer. They are simply another fiat currency. The Russians in part have it right, there must be a gold component and there will be if the SDRs are to be used. A better idea for an international trade unit is a gold backed basket of the ten top currencies, which would include the dollar. Until this happens dollar owners will continue to dump dollars by buying commodities, factories, land, etc., worldwide. America's refusal to allow investment into certain areas, such as industries they consider to be off limits, due to security concerns will lead to an ever greater flow of dollars back to the US bringing inflation and eventually currency controls. Dollars will be allowed to leave but not enter the US. This will as well tighten government control over the wealth and finances of American citizens. If you had planned on leaving the US you had best do it now. The opportunity may not be there for you in the future.

The fall of the dollar will mean a whole new way of life for Americans. We compare it to living during the 1940s and 1950s. That will last for a few years and then we'll graduate into living as we did in the 1930s. If we are lucky there will not be a revolution. All markets will eventually collapse taking all investments down 60% to 95% from their 2006 highs. The only exception will be gold and silver assets, which will hold their value and appreciate.

Military spending will fade and with that the end of US military dominance. It simply won't be able to be financed. The days of printing money and issuing credit with abandon are coming to a close. The cycle is being ended.

This will create distrust and confusion with higher unemployment, which could lead to social instability. The very rich elitists will control 80% of the country's wealth, while the nation suffers 35% or more unemployment. Such a situation harbors the seeds of rebellion.

We cannot spend our way out of our current dilemma. It is impossible. Those who deliberately created this situation know that. It was the price they were willing to pay to bring America and Europe to their knees economically and financially to force their populations to accept one-world government. This is not going to work and it will bring disaster on many levels to our planet.

Saving Wall Street and banking isn't going to work. They are insolvent. The losses have to be absorbed sooner or later. The later it is the worse it will be. If you look at history you will find this has happened over and over again. The result is fascist dictatorial government,

accompanied by a big war or a number of smaller wars. This is how the elites hope to again extricate themselves and still hold power. We have news for them. This time it is going to be different. A police state won't work on Americans. They will die rather than to submit, and the Illuminists are about to find that out.

[General Motors Corp.](#) said it has reversed decisions to end franchise agreements with 60 dealers, as the largest US automaker scales back its retail network under bankruptcy reorganization.

Some franchise owners were able to show that GM used inaccurate financial information in placing them on the list for closing, Susan Garontakos, a company spokeswoman, said yesterday.

The revisions mean fewer shutdowns after Detroit-based GM began notifying about 1,330 dealers on May 15 that it didn't intend to renew their franchises when they expire next year.

Consumer prices have dropped 1.3% year in May, the largest drop in the last 60 years. Month on month, consumer prices have edged up 0.1%, the market consensus had advanced a 0.3% month on month increase and a 0.9% decline year on year. The Dollar remains steady.

The deficit in the broadest measure of trade has plunged sharply in the first three months of the year as the country's deep recession depressed imports of oil and other goods.

The Commerce Department said Wednesday the current account trade deficit dropped to \$101.5 billion in the first quarter, a 34.5 percent decline from the deficit in the fourth quarter. It was the lowest current account deficit since the final three months of 2001 when the country was mired in the last recession. U.S. overall consumer confidence fell last week, according to an ABC News poll released Tuesday.

The consumer comfort index fell two points to -49 in the week ended June 14, from -47 a week earlier.

Federal Reserve officials are considering whether to use next week's policy statement to suppress any speculation they're prepared to raise interest rates as soon as this year.

While policy makers have signaled they accept an increase in longer-term Treasury yields as the economy improves, some are concerned at any premature anticipation of rate rises. Fed staff have examined the Bank of Canada's public intention of foregoing an increase until 2010, according to a person familiar with the matter, without concluding the statement has proven effective.

[JPMorgan Chase & Co.](#) and four of the nation's largest banks repaid \$54.7 billion to the U.S. Treasury's bailout fund in a step toward ridding themselves of government restrictions on lending and pay.

JPMorgan repaid \$25 billion, and New York-based [Morgan Stanley](#) and [Goldman Sachs Group Inc.](#) each gave back \$10 billion. [U.S. Bancorp](#), with its headquarters in Minneapolis, refunded \$6.6 billion and Winston-Salem, North Carolina-based [BB&T](#) Corp. paid \$3.1 billion, the

banks said today in separate statements.

The lenders are among 10 companies that last week said they would repay a total of \$68 billion to the Troubled Asset Relief Program after Treasury approved the payments. Banks have unveiled plans to raise more than \$100 billion in capital, and [financial stocks](#) have climbed in the past three months on signs the global credit contraction is easing.

The largest expansion of U.S. health care since the creation of [Medicare](#) in 1965 may emerge from legislation designed to reshape the medical industry and change how Americans receive and pay for care.

Congress today began crafting legislation that Democratic leaders plan to push through both chambers by their August recess. The measure may require all Americans to get medical insurance, force insurers to accept all patients and end the tax break for employer-paid health benefits. These changes may be hammered out with unprecedented speed at the urging of President [Barack Obama](#), who four days ago said “this is the moment.”

Obama has made a health-care overhaul his top domestic priority, using his February budget proposal to call it a “moral” imperative to extend coverage to the country’s 46 million uninsured. Obama also tied the long-term fiscal soundness of the U.S. to controlling medical costs. Health care consumes 18 percent of the U.S. economy and may rise to 34 percent by 2040, the White House [Council of Economic Advisers](#) reported June 2.

“I don’t think we’ve ever had anything this large in American history aimed to go this quickly that touches everybody’s lives,” said [Robert J. Blendon](#), a professor of health policy and political analysis at [Harvard University](#) in Cambridge, Massachusetts, in a telephone interview. “They’re moving at a pace we’ve never seen before.”

California Treasurer Bill Lockyer has insisted all through Sacramento’s latest budget crisis that he would never allow the state to renege on what it owes bondholders.

Yet when credit-rating firm Standard & Poor’s on Tuesday [warned that it might cut California’s credit grade](#) — which already is the lowest of the 50 states — S&P flagged at least the possibility of default.

In the first paragraph of its statement, S&P says that “although we continue to believe the state retains a fundamental capacity to meet its debt service, insufficient or untimely adoption of budget reforms serve to increase the risk of missed payments in our view.”

S&P’s language incensed Lockyer’s spokesman, Tom Dresslar.

“S&P raises undue alarm about the potential for missed bond payments,” he said. “There is zero chance of that happening.”

Worries about the state’s fiscal fate, combined with an early-June jump in U.S. Treasury bond yields, have driven market prices of the state’s bonds sharply lower since mid-May, [sending yields soaring](#).

Tax-free yields on 10-year California general obligation bonds were between 5% and 5.1% on Tuesday, according to several traders. The yield was under 4.4% in mid-May. From his lips to God’s ears.

Struggling mall retailer Eddie Bauer Holdings Inc. filed for Chapter 11 bankruptcy protection on Wednesday but said a bidder already has agreed to keep the majority of its 371 stores open, honor gift cards and hold onto most employees.

Drunken Arizona drivers with the late-night munchies may soon be getting more than chicken strips at drive-through windows.

The Pima County Sheriff's Department has a new campaign targeting drunken driving. Operation Would U Like Fries, or Operation WULF, will put undercover deputies inside 24-hour fast-food restaurants to spot impaired drivers placing their orders.

Sgt. Doug Hanna, a DUI unit supervisor, says if deputies notice someone with classic symptoms of impairment — slurred speech, red or watery eyes or beer breath — they will have a uniformed deputy stationed outside pull the driver over.

Hanna says money for the intermittent program is coming from a \$128,000 grant from the Governor's Office of Highway Safety.

Retail gas prices climbed for the 50th straight day Wednesday, the longest streak in records dating to 1996, even as benchmark crude fell for the fourth day in a row.

Historically, filling station prices tend to rise during the summer as millions of vacationing Americans pour onto the highways. But a surge in crude prices during the past few months and less production from the refiners that make gasoline has added even more pressure on prices.

"Refiners slowed production and did a lot of maintenance on the expectation that this was going to be a lousy year for demand," said Fred Rozell, retail pricing director at Oil Price Information Service. "It turns out it wasn't so bad."

Yet it's still pretty bad. Before the most recent government report on demand, gasoline supplied to the market was down 3 percent, and prices were still cheaper than they were three years ago at this point in June.

Pump prices added a half cent overnight to a new national average of \$2.679 a gallon, according to auto club AAA, Wright Express and Oil Price Information Service. A gallon of regular gas has jumped nearly 37 cents in a month.

Mid-Atlantic factory activity booked its smallest retreat since last September in June, raising hopes for the economic recovery.

The Federal Reserve Bank of Philadelphia reported Thursday that its index of general business activity for the manufacturing sector came in at -2.2 in June, compared with -22.6 in May.

That reading was the least bad since the fall, when it tilted very near the zero mark that represents the break even point between contraction and expansion.

June's reading was well above the -18.0 expected by economists. The Philadelphia Fed report bears particular importance for financial markets and economists, who see it as a proxy and leading indicator for national economic activity.

As such, the report helps raise hopes that the manufacturing sector is emerging from the recession, and increases chances that a recovery will take place later this year, as many policy makers and analysts expect.

Michael Trebing, an economist with the bank, offered a note of caution, saying the report “showed continued weakening in manufacturing.” But he added, “the declines were much less in evidence this month.”

Meanwhile, the report noted “most of the survey’s broad indicators of future activity showed continued improvement, suggesting that the region’s manufacturing executives are becoming more optimistic that a recovery in business will occur over the next six months.”

The report’s components were a bit of a mixed bag. On the positive side, the June shipments index stood at 2.1, compared with -19.0, while the new orders index was -4.8, after May’s -25.9.

The report also showed inflation pressures as waning, which is a sign of improved activity and higher energy costs. The prices paid index hit -13.0, compared with -22.8, while the price received index was -16.6, versus -33.8 in May.

But hiring continued to contract, with the employment index at -21.8. It stood at -26.8 in May.

The May index of leading indicators offered more signs that the U.S. economy has moved closer to recovery.

The leading index jumped 1.2% last month, after April’s index increase was revised to 1.1%, the Conference Board reported Thursday. April’s rise was originally reported as 1.0%.

Economists surveyed by Dow Jones Newswires had expected an increase of 1.0% in the May index.

“The recession is losing steam. Confidence is rebuilding and financial market volatility is abating,” said Ken Goldstein, economist at the Board. But he warned that “employment will take longer to turn around.”

Vendor performance, interest-rate spread, real money supply, stock prices, consumer expectations and building permits made positive contributions to the May index. Weekly hours worked and new jobless claims were negative contributors.

The coincident index fell 0.2% in May, after a revised drop of 0.3% in April. April’s decline was first reported as 0.2%.

The lagging index dropped 0.2% in May, after a revised 0.8% decline in the prior month. The April drop was originally reported as 0.5%.

The number of U.S. workers filing new claims for jobless benefits rose slightly as expected last week, suggesting that while job losses have moderated since the beginning of the year, a rapid turnaround in labor market conditions is unlikely.

Meanwhile, total claims lasting more than one week plunged by their largest amount

since November 2001, breaking a streak of 21-straight increases in a rare reprieve for the unemployed in this recession.

Initial claims for jobless benefits rose 3,000 to 608,000 in the week ended June 13, the Labor Department said in its weekly report Thursday. Economists surveyed by Dow Jones Newswires had expected a 2,000 rise. The previous week's level was revised up.

The four-week average of new claims, which aims to smooth volatility in the data, fell 7,000 to 615,750, the lowest level since mid-February.

The latest initial-claims data include the survey week for the June payroll report. When employers are surveyed for the monthly employment report, they are asked about staffing levels for the pay period that includes the 12th day of the month. For that reason, many economists pay close attention to the jobless-claims data for that week.

Nonfarm payrolls fell 345,000 in May, the smallest decline since September, though the unemployment rate jumped 0.5 percentage point to a quarter-century high of 9.4%.

Meanwhile, according to Thursday's report the tally of continuing claims – those drawn by workers for more than one week in the week ended June 6 – fell 148,000 to 6,687,000, the first weekly decline since the Jan. 3 week and largest since Nov. 24, 2001.

Including extended benefit and other federal programs, the total number of people collecting jobless benefits was almost 8.8 million in the May 30 week, up from about 8.5 million the previous week. That number, which lags the initial and continuing claims figures, isn't adjusted for seasonal fluctuations.

The unemployment rate for workers with unemployment insurance was 5% in the June 6 week, down 0.1 percentage point from the previous week.

Credit ratings agency Standard & Poor's lowered its ratings and revised its outlooks on 22 U.S. banks on Wednesday, citing concerns that operating conditions will be less favorable than they were in the past due to volatile financial markets during credit cycles and tighter regulatory supervision.

Standard & Poor's also said the changes reflect its ongoing broad-ranging reassessment of industry risk for U.S. financial institutions. The agency indicated that the banking industry is now in a transition period and will likely undergo material structural changes.

Further, the agency said its overall assessment of the industry includes expectations that loan losses are likely to continue to increase and could rise beyond current expectations.

Standard & Poor's credit analyst Rodrigo Quintanilla said, "We believe the banking industry is undergoing a structural transformation that may include radical changes with permanent repercussions."

"Financial institutions are now shedding balance-sheet risk and altering funding profiles and strategies for the marketplace's new reality," Quintanilla added. "Such a transition period justifies lower ratings as industry players implement changes."

BB&T Corp.(BBT: [News](#)), Capital One Financial Corp.(COF: [News](#)), Key Corp. (KEY: [News](#)) U.S. Bancorp (USB: [News](#)), and Wells Fargo & Co.(WFC: [News](#)) were among the larger banks on the list that saw their ratings cut by S&P.

Additionally, Standard & Poor's reassessed the relative creditworthiness of many institutions based on their ability to deal with the increased risks during this transition period and inferred that some firms may be better able to weather the risks ahead than others.

However, the agency stated that it could foresee raising ratings in the long term if lower earnings and reduced risk go along with stronger risk-adjusted capital and effective governance.

The other banks on the list include Associated Banc Corp. (ASBC), Astoria Financial Corp. (AF), Comerica Inc. (CMA), Fifth Third Bancorp (FITB), M&T Bank Corp. (MTB), PNC Financial Services Group (PNC), Regions Financial Corp. (RF), Susquehanna Bancshares Inc. (SUSQ), Valley National Bancorp (VLY), Webster Financial Corp.(WBS), Wilmington Trust Corp (WL), and First National Bank of Omaha.

Regional banks cut to junk status included Carolina First Bank, Citizens Republic Bancorp Inc. (CRBC), Huntington Bancshares Inc. (HBAN), Synovus Financial Corp. (SNV), and Whitney Holding Corp. (WTNY).

The Senate today overwhelmingly passed a bill that would fund military operations in Iraq and Afghanistan through Sept. 30, giving congressional backing to President Obama's plan to increase troops and resources for the war in Afghanistan. The 91-5 vote sends the bill to President Obama for signing.

The \$105.9 billion bill also includes \$7.7 billion to prepare for a potential outbreak of a pandemic flu, an increased U.S. contribution to the International Monetary Fund and \$1 billion to start the "cash for clunkers" program that will give Americans vouchers of up to \$4,500 to turn in their old cars and purchase more fuel-efficient vehicles.

Payrolls fell in most of the U.S. during May as companies squeezed by the recession kept unloading workers, but fewer states lost jobs than in April.

Non-farm payroll employment decreased in 39 states and increased in 11 states and the District of Columbia last month, the Labor Department said Friday. In its state unemployment breakdown for April, Labor said non-farm payrolls fell in 44 states and the District of Columbia, rising in six states.

The moderation in the drop echoes other data showing the economy is not as bad as it had been – but it still isn't good.

Two weeks ago the Labor Department said non-farm payrolls shrank by 345,000 jobs in the U.S. during May – about half the average monthly decline for the prior six months. In April, payrolls shed 504,000 jobs. Since the recession began in December 2007, 6 million jobs have vanished.

The jobless rate rose in May to 9.4% from 8.9% in April.

California lost the most jobs of all states in May, at 68,900. Florida dropped 61,000, with Texas losing 24,700 and Michigan down 23,900, Labor said.

Michigan, the heart of the automobile industry, had the highest jobless rate in May, at 14.1%. Oregon had a jobless rate of 12.4% and Rhode Island and South Carolina each had 12.1%.

The Federal Reserve's latest weekly money supply report Thursday shows seasonally adjusted M1 rose by \$34.3 billion to \$1.631 trillion, while M2 rose \$4.4 billion to \$8.354 trillion.

The figures are preliminary estimates for the week extending through June 8 and are subject to revisions.

The Fed expanded its balance sheet by \$29.406B in the latest week. The Fed monetized \$42.766B of securities. \$15.5B of swaps were disgorged. If Congress intends to investigate Sammy Sosa for lying about steroids, Bernanke should be investigated for lying about monetizing debt and threatening Lewis.

The real reason for Thursday's collapse in bonds is the Treasury announced that it would auction \$104B of debt next week - \$40B of 2s, \$ 37B of 5s and \$ 27B of 7s. Plus \$61B of T-Bills totals \$165B!

President Obama's plan to revamp financial regulations triggered immediate criticism Wednesday from both the political left and right over the expanded policing authorities given to the Federal Reserve while business groups grumbled about a powerful new agency charged with protecting consumers against abusive lending.

Lawmakers picked apart virtually every element of the Obama administration's regulatory reform plan during a hearing Thursday, but there was one question that dominated: Would it really prevent another financial crisis?

Senators were astounded that there were no reforms for Fannie and Freddie. That's because Congress intends for GSEs to provide unwarranted benefits to certain constituents.

President Obama signed the American Recovery and Reinvestment Act (ARRA) into law, thus launching a bold new initiative to modernize state unemployment insurance programs with the help of \$7 billion in federal incentive funds. That is because the ARRA covered 100 percent of the costs associated with the 13- to 20-week program of Extended Benefits, which is normally paid for 50 percent by the states.

Government figures, in fact, show the proportion of recipients who used up their jobless benefits averaged 49 percent in May, a record.

A market manipulation vehicle will be investigated. The FT: SEC to turn spotlight on 'dark pools':

The increasingly popular trading venues known as "dark pools" are to come under fresh scrutiny from regulators concerned about the emerging risks they pose to the wider markets, the head of the US Securities and Exchange Commission said on Thursday.

Mary Schapiro, SEC chairwoman, has asked her staff to investigate the impact of automated "dark pools", off-exchange trading venues that do not display quotes to the public. Investors can anonymously trade large blocks of shares on dark pools, leading to concerns about their impact on public prices and markets.

New York Fed President William Dudley set expectations low, saying in a June 4 speech that he didn't foresee any activity because the securitization process "takes quite a while to ramp up." He asked his audience not to "take that as a mark of the success of the CMBS effort, please."

The stakes of TALF aid for CMBS extend beyond the markets for office and retail space. Worsening problems in the commercial mortgage market may accelerate the drop in property values, increase defaults and weaken banks' finances, Dudley said in the speech.

Among asset classes targeted by the Fed through the TALF, "commercial real estate is going to be the toughest to crack as its financing is very long-term in nature," Rupkey said.

Personal Income Tax Revenues Portend Deepening Trouble for Many States

Preliminary data show deep declines in overall personal income tax revenues in nearly every reporting state. These declines signal continued difficult fiscal challenges ahead, particularly for the states that rely most heavily on personal income taxes...

Looking at the most recent recession years, personal income tax revenue declined by only 1.4 percent in April-June 1993 and by a dramatic 22.3 percent in April-June 2002. Given the severe declines in April 2009 personal income tax collections, we expect that the April-June 2009 quarter will be even more dramatically negative than the April-June 2002 quarter.

Total personal income tax collections in January-April 2009 were 26 percent, or about \$28.8 billion below the level of a year ago in states for which we have data. In April 2009 alone (April being the month when many states receive the bulk of their balance due or final payments), personal income tax receipts

fell by 36.5 percent, or \$18.2 billion.

They are all fraudulent, it's obvious. We don't even have paper securities outstanding for that value," said McKayla Braden, senior adviser for public affairs at the Bureau of Public Debt at the US Treasury department. "This type of scam has been going on for years.

From a fundamental and technical viewpoint the stock market and bond markets are under pressure. They both should not be able to launch any kind of a sustainable rally from present levels. From here on out markets will tend to be boring and cautious.

The Fed on Wednesday bought \$7 billion of bills and notes and monetized \$6.45 billion of 3 and 4-year bills.

There is gloom and doom at the highest levels of the banking industry because collateral values keep deteriorating and there is no end in sight. Few banks have as yet writing off their holdings of HELOC paper. They are faced with the next leg down as prime mortgage defaults hit the market.

Commercial paper outstanding fell \$27.7 billion in the week ended 6/17 versus \$14.8 billion the previous week.

Asset backed CP outstanding fell \$22.2 billion versus a \$32.5 billion.

CP outstanding was \$1.202 trillion versus \$1.230 trillion. ABCP outstanding was \$502.7

billion versus \$524.9 billion.

Unsecured CP issuance fell \$100 million to \$15.9 billion.

This is the lowest level of CP in 8-12/ years.

The preliminary take on the sweeping new Obama rules for the nation's financial system to be are an insult to the American people – as they say the best defense is a strong offense. A preeminent move in psychological warfare is to heap more responsibility on the shoulders of the Fed. This is so Congress won't pass legislation to investigate and audit the Fed. It is also to prevent the real culprits from going to jail. The excuse is the system failed and needs to be overhauled. It was those who created the conditions for unbridled lending, which launched the housing bubble and the securitization that followed. All the rules were broken and the Fed led the pack. No new rules or regulations are needed. All those who broke the rules have to be tried, sentenced and jailed and their wealth taken from them. All those who aided them at the SEC and CFTC should be jailed as well. The overhaul is pure misdirection. The Fed orchestrated all this and they want to put them in charge. These changes put the fed in charge of the country. They are leading a financial dictatorship unless we can make HR 1207 and S 604 the law. Once even Congress understands what they are doing, even they will dump the Fed.

California's unemployment rate jumped from 11.0% to 11.4% in May.

In the bond market, the Treasuries are close to the trend line that began from the bear market lows in 1981. Further weakness will break that line and we believe that will happen.

As HR 1207 appears to be ready to pass – 258 co-sponsors – to investigate the Fed. The pros on Wall Street are quaking in their boots. If HR 1207 is passed and not vetoed the issue of unconstitutionality will surface.

The Fed could soon be exposed as the fraud it really is. As we said earlier the new responsibilities of the Fed is a psy-op cover, an offensive cover.

This is a private company owned by US and European bankers, which has been responsible for the debauching of our currency by 95%.

The Dow fell 2.9%; S&P fell 2.6%; the Russell small cap lost 2.7% and Nasdaq fell 1.3%. Banks lost 3.4%; broker/dealers lost 5%; cyclicals lost 6.2%; transports fell 4.2%; consumers fell 1.4%; utilities fell 1.4%; high tech fell 2.4%; semis fell 3.8%; Internets fell 3.5% and biotechs were off 0.6%. Gold bullion fell \$4.00 and the HUI fell 2.8%.

Two-year T-bills fell 7 bps to 1.19% and the 10's fell 2 bps to 3.78%. The 10-year German bunds fell 13 bps to 3.50%.

Freddie Mac's 30-year fixed rate mortgage fell 21 bps to 5.38%; the 15's fell 17 bps to 4.89% and the one-year ARMs fell 9 bps to 4.95%.

Fed credit jumped \$29.4 billion. Holdings of Treasuries for foreigners and Agency debt increased \$2.1 billion to a record \$2.752 trillion. Custody holdings for foreign central banks have risen 20.3% ytd.

Bank credit fell \$59 billion. It is up \$317 billion yoy. Securities credit sank \$32.6 billion; loans

and leases fell \$26.4 billion; C&I loans declined \$5.9 billion; real estate loans fell \$7.4 billion; consumer loans fell \$4.3 billion and securities loans fell \$5.5 billion. Other loans fell \$3.2 billion.

M2 – narrow money supply gained \$4.4 billion. Total money market fund assets fell \$72.9 to \$3.675 trillion.

The USDIX, the dollar index gained 0.2%.

Almost two years into the worst financial calamity since the 1930s, companies are doing everything they can to reduce their indebtedness, selling record amounts of equity to pay back bonds and loans. ‘Stock buybacks are a thing of the past: It’s reducing debt and bond buybacks that are in vogue,’ said Kathleen Gaffney, co-manager of the Loomis Sayles Bond Fund. ‘Stocks aren’t going to move and earnings aren’t going to move without a healthier balance sheet,’ said Gaffney. More than 165 companies raised a record \$87 billion in U.S. secondary share sales this quarter, and 77% of them used the proceeds to slash leverage, according to Bloomberg.

Irish retail sales fell 17% during April from the same month last year, the country’s Central Statistics Office said... When car sales are excluded, sales fell 7.1%.

National Income declined a modest \$48bn (annualized) during the first quarter to a \$12.255 TN pace. This was a slower contraction than Q4’s \$189bn (annualized), with National Income declining 1.6% y-o-y. Total Compensation was up 0.2% y-o-y to \$8.024 TN. From my analytical perspective, the massive – almost \$2.2 TN – “federal” Credit boom has for now stabilized system-wide Compensation and Income. Yet the sustainability and consequences of the Government Finance Bubble create – at best – great uncertainty. I’ll stick with the analysis that two Trillion-plus of government Credit creation is necessary to hold Bubble Economy implosion at bay – and that this amount of Washington-based finance comes with its own set of serious issues (including exacerbating global financial and economic distortions).

Household Balance Sheet data make for dreadful analysis. Despite incredible government stimulus, Household sector Assets declined a further \$1.444 Trillion during the quarter. This brought the one-year drop to an unrivaled \$10.075 Trillion (13.5%). At \$64.517 TN, Household Assets have returned to year-end 2005 levels. Over the past year, Financial Assets declined \$7.869 TN (16.3%) to \$40.296 TN and Real Estate dropped \$2.279 TN (10.3%) to \$19.819 TN. Household Liabilities contracted at a 3.2% rate during the quarter to \$14.141 TN, with a one-year drop of 2.1% (\$301bn). As such, Household Net Worth contracted \$1.330 TN, or at a 10.3% rate, during Q1 to \$50.376 TN. Household Net Worth dropped \$9.774 TN over the past four quarters, or 16.2%, deflating back to about the Q3 2005 level.

For more insights consult the www.TheInternationalForecaster.com

The original source of this article is TheInternationalForecaster.com
Copyright © [Bob Chapman, TheInternationalForecaster.com](http://TheInternationalForecaster.com), 2009

[Comment on Global Research Articles on our Facebook page](#)

Become a Member of Global Research

Articles by: [Bob Chapman](#)

Disclaimer: The contents of this article are of sole responsibility of the author(s). The Centre for Research on Globalization will not be responsible for any inaccurate or incorrect statement in this article. The Centre of Research on Globalization grants permission to cross-post Global Research articles on community internet sites as long the source and copyright are acknowledged together with a hyperlink to the original Global Research article. For publication of Global Research articles in print or other forms including commercial internet sites, contact: publications@globalresearch.ca

www.globalresearch.ca contains copyrighted material the use of which has not always been specifically authorized by the copyright owner. We are making such material available to our readers under the provisions of "fair use" in an effort to advance a better understanding of political, economic and social issues. The material on this site is distributed without profit to those who have expressed a prior interest in receiving it for research and educational purposes. If you wish to use copyrighted material for purposes other than "fair use" you must request permission from the copyright owner.

For media inquiries: publications@globalresearch.ca