

Obama - Rubber Stamp this before lunch

Written by Bruce Enberg

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Initial jobless claims dropped again last week to a four year low, taking us back to the early days of Bush meltdown. We really can't begin sing "Happy days are here again" until claims drop from the current 348,000/week to under 300,000, but we are moving in the right direction. The survey of economists had predicted a sharp rise in claims, but these are the same economists that are almost always wrong. Why do reporters quote them? You would get a better prediction by flipping a coin.

Monthly home sales numbers are up 9% over last year, but down one percent from the previous month. The number of houses currently on the market is actually down to a four month supply, which is good news for the economy. This allows people who want to move, or build their dream house sell their current home, and this should build a reinforcing cycle.

The bad news is that 22% of home owners are still under water on their mortgage. The number of foreclosures is also expected to pick up sharply now that Obama has given the banks a pass on Robo-signing. However, a plethora of investor lawsuits, and an assortment of state criminal probes continue against the big zombie banks. A new banking crisis is almost a certainty because any sort of bad news will drive the already bad credit ratings of these big banks down, triggering trillions in derivative payouts.

Bank of America alone has \$75 trillion in derivative contracts on the books with more than half transferred to its deposit banking division from Merrill Lynch last fall. This was done over the objection of the FDIC, but with the approval of the Federal Reserve. It was the only thing that kept BoA from dragging down the entire banking system last October. It's not true that this makes the government responsible for paying these derivatives. It does make it likely that the FDIC will have to make good on the insured portion of deposit accounts.

Under Republican passed legislation in 2005, under the guise of bankruptcy reform that made it difficult for the middle class to cancel debts, they also put derivative contracts at the top of the list to be paid and not depositors or creditors. BoA had roughly 9% of all US bank deposits, considerably less now, since big depositors have been fleeing the potential collapse. The occupy movement has also been encouraging small depositors to move to credit unions, however small depositors would be covered by insurance while the big guys would lose everything in excess of \$250,000.

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Obama is trying to counter Republican propaganda that he has no energy policy by “fast tracking” a new pipeline from Okalahoma to the Gulf shore refineries. While in the long run this does have the potential to make our energy situation worse and not better, since it drains oil from existing refineries in the north, this isn’t something you can blame Obama for. As Republicans gleefully pointed out, this section of pipeline doesn’t require his approval, since it doesn’t extend to Canada. He is merely “fast tracking” it, which probably means it will be rubber stamped before lunch instead of after.

Obama doesn’t really have an energy policy, he’s stuck with the laissez faire policies put in place by corporatist Republicans, and the not too bright Democrats starting with Jimmy Carter all those years ago. Carter thought Maggie Thatcher was on to something with deregulation, he was wrong. Carter thought he could give oil companies more freedom to produce oil and at the same time they would let him have an energy policy based on solar power. Reagan killed solar and deregulated the corporations even more. And here we are now.

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