National News

Bankruptcy Filings Up 27%, Most Since 2006

May 14—The Administration Office of the U.S. Courts (AO) reported today that bankruptcy filings for the year ending March 31, 2010 rose 27% compared to the same period in 2009. The total number of bankruptcies is the highest since the period ending March 31, 2006. There were a total of 1,531,997 personal and business bankruptcy filings for that period, compared to 1,202,395 the previous year. Of the total, 61,148 businesses went bankrupt, compared to 49,077 the previous year.

In 2005, Congress passed the misnamed Bankruptcy Abuse Prevention and Consumer Protection Act, which was, in fact, aimed at reducing the number of bankruptcy filings by making it more difficult to file for bankruptcy, leaving consumers even more at the mercy of credit card companies, which lobbied heavily for the bill. AO data show a sharp drop in filings after the 2005 law took effect, but they have been rising steadily ever since.

Reuters reports that most experts expect filings to remain above 1.5 million per year for some time to come, because of continuing home foreclosures and high unemployment.

Usual Business: Banksters Ripping Off Cities

May 18—More and more crimes of Wall Street are coming to light to show why the return to Glass-Steagall is absolutely necessary. The latest example to surface is widespread fraud against municipalities and state agencies, in which banks and financial advisors collude to rig bids in the market for guaranteed investment contracts (GICs).

In March, the Justice Department filed a sealed indictment against CDR Financial Products and several of its employees. CDR helps municipalities arrange investment deals, but instead of trying to get the best deals possible for its clients, the firm colluded with banks to pay lower interest rates on the GICs sold to the municipalities, in exchange for kickbacks to CDR. The result was an alleged "nationwide conspiracy" in which financial advisors to municipalities colluded with Bank of America, Citigroup, JP Morgan Chase, Lehman Brothers, Wachovia, and 11 other banks, according to an investigation by Bloomberg. The investigation found that the conspiracy included more than 200 deals involving some 160 state agencies, local governments, and non-profits. "The whole investment process was rigged across the board," former IRS operative Charlie Anderson told Bloomberg. "They were gouging the municipalities," he said.

With the banks screaming that re-regulation—and Glass-Steagall in particular—would "hurt the recovery," it is worth remembering that this sort of sleazy corruption is how they actually make their money, and that their "recovery" comes at the expense of the rest of us.

Gov. Arnie's 'Revision': Just More Pain and Death

May 14—The much-awaited "May revision" of the California budget was announced today by the son-of-a-Nazi Gov. Arnold Schwarzenegger, and it contained no surprises, as Arnie had already leaked much of what he intended to do, i.e., impose more brutal austerity, which will further threaten the state's already endangered sick, elderly, and poor people, while offering no plan to revive the state's dead economy.

While announcing that the deficit for the remainder of the fiscal year 2010-11 is "only" $19.1 billion, Schwarzenegger said that the only solution is more budget cuts. He proposed a 5% pay cut for all state workers, plus cutting one day of paid work each month; a major cut in in-home care for the elderly and disabled; eliminating what's left of state-subsidized childcare; and ending the welfare-to-work program by October, which will affect hundreds of thousands of poor families with chronically unemployed adults, and more than 1 million children. He added that he has no plan to increase taxes, meaning that he intends to balance the budget by further reducing the disappearing safety net for the most vulnerable Californians.

As Schwarzenegger released his revised budget, other members of his budget team reported the continued drop in revenue collection, and expressed concern that the "housing turnaround" has not yet occurred. One staffer admitted that pay cuts to all state workers, which is a central feature in Arnie's "budget plan," would "likely exacerbate the foreclosure crisis."

Direct requests for more aid from Washington, have been met by the mantra "just hold on, the economic recovery is coming."

Goldman, Citi, Morgan: More Heads Will Roll

May 21—Following the Securities and Exchange Commission's April suit against Goldman Sachs, today Bloomberg/Business Week reported that Citigroup did exactly the same thing for which Goldman was sued, and for which Goldman is now under criminal investigation by the Justice Department.

"Citigroup Inc. sold a series of mortgage-linked securities without disclosing that Morgan Stanley helped shape them while betting they would fail, two people with knowledge of the matter said. . . .

"A Morgan Stanley unit helped select the bonds, the people said, speaking anonymously because the deal was private. Six of the seven series of Jackson bonds later defaulted, costing investors more than $150 million of losses, data compiled by Bloomberg show.

"'Failure to identify that there was a third party participating who would take a short position would have been extremely relevant to the purchaser of this product,' Duke University law professor James Cox said."