"What we're observing, in all its bizarreness, is the ancient paradox of what happens when an irresistible force meets an immovable object. The irresistible force in this case is the U.S. economy... The immovable object is a wall of debt that now can't be paid back." BUSINESS WEEK

SQUEEZED

America As The Bubble Bursts

A Financial Tsunami • The Crimes of Wall Street • In Debt We Trust

Danny Schechter

The News Dissector

ColdType

SQUEEZED

OTHER BOOKS BY DANNY SCHECHTER

When News Lies: Media Complicity and the Iraq War, Select Books 2006

The Death of Media and the Fight to Save Democracy, Melville House Publishing (2005)

Embedded: Weapons of Mass Deception—How the Media Failed to Cover the War on Iraq (Prometheus Books, 2003; ebook version: coldtype.net, August 2003)

Media Wars: News at a Time of Terror (Rowman & Littlefield, 2003)

News Dissector: Passions Pieces and Polemics (Akashic Books 2001; ebook version: electronpress.com, 2001)

Hail to the Thief—How the Media "Stole" the 2000 Presidential Election. *Ed. with Roland Schatz*. (Inovatio Books, Bonn, Germany, 2000; ebook version: ElectronPress.com. 2000)

Falun Gong's Challenge to China (Akashic Books, 1999, 2000)

The More You Watch, the Less You Know (Seven Stories Press, I997, I999)

For other works by Danny Schechter, visit:
www.newsdissector.org/Dissectorville

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America As The Bubble Bursts

By Danny Schechter
The News Dissector

ColdType

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10469 Sixth Line, Georgetown, Ontario L7G 4S6
Tel: (905)702-8526
Editor: Tony Sutton. Email: editor@coldtype.net

in association with Mediachannel.org
575 Eighth Avenue, New York, New York I0018 USA
Tel: (212) 246-0202 x3006
Email: dissector@mediachannel.org

For information, visit www.coldtype.net

First Edition

For a future free of debt and a world where markets serve the public interest

Preface

By Robert D Manning, author of Credit Card Nation

Over the last decade, U.S. industrial employment has been ravaged by Neoliberal "free trade" policies and corporate outsourcing while workers have struggled to retain the basic vestiges of the American Dream. Sadly, as the post-industrial society has eroded the industrial heartland of middle-class America, the mall has replaced the factory as the engine of the US economy. Indeed, one of the distinguishing features of the "new economy" is that it is more profitable to finance consumption than production. And, as real wages have declined and basic living expenses have soared, American families have become increasingly dependent upon consumer credit and debt to maintain their lifestyle and, too often, simply to survive.

Social critic and journalist provocateur – Danny Schechter aka the "News Dissector" – deserves our appreciation for identifying yet another crucially important issue that has been blissfully ignored by the mainstream media and our national leaders – the consumer debt time bomb. While business pundits and media cheerleaders have deflected attention from the lack of a national economic policy, Schechter has focused his filmmaking and journalistic talents on the seductive and calamitous consequences of banking deregulation. Indeed, through his powerful and entertaining documentary, ***In Debt We Trust***, Schechter takes us behind the scenes where the profits and power of the financial services industry are protected by federal regulators, elected officials, and even the U.S. Supreme Court.

Through his movie and the compilation of his most perceptive articles in ***Squeezed***, Schechter exposes the corporate forces that are corrupting our fundamental democratic institutions of governance through a symbiotic financial-industrial complex: FINANCIALIZATION. Already U.S. Congressman Bob Ney (R-Ohio), past Chairman of the powerful House Financial Services Committee, has resigned over his influence peddling schemes and is currently serving a prison sentence. Many others have left to become million dollar lobbyists for the industry that they were once responsible for regulating. Others, like past Secretary of Treasury Robert Rubin of the Clinton Administration have become executives of financial services companies with multi-million dollar compensation packages; Rubin was recently elevated from Senior Vice-President to Chairman of beleaguered Citigroup as it grapples with its massive subprime mortgage losses.

The problem with the deregulation of the U.S. financial services industry is who CAN or has the fortitude to save the new Gilded Age Executives from a corporate ethos that exhorts: “Greed is Good”? From Sandy Weil who “earned” a billion dollars during his decade at the helm of Citigroup (which coincided with billions of dollars in consumer class-action settlements for questionable business practices) to Stan O'Neal, the past CEO of Merrill Lynch whose gamble on subprime loans cost him his job and the company over 11 billion in losses, yet “earned” him a $160 million severance/retirement package.

Like the ENRON debacle that was perpetrated by the financial complicity of Wall Streets' largest banks, Schechter has led the clarion call for demanding corporate accountability for those whose “creative” genius produced Collateralized Debt Obligations (CDOs) and other “securitarized” or asset backed securities that precipitated hundreds of billions of dollars of losses, potentially over a million foreclosed homes, and the destabilization of the US financial system. Indeed, like Enron's “mark-to-market” imaginary wealth, the manipulation of the mortgage securities and residential housing markets with low “teaser,” adjustable rate (ARMs), no interest, no money down, and “liar” loans, presaged the fictitious housing “bubble” and penultimate collapse of the real estate/consumer-driven economy.

As Schechter perceptively explains, “Debt is Profitable” in a deregulated economy where “Democratization of Credit” means the best consumer is someone who will never escape the vise of debt servitude.

With the rise of “Financialization,” Schechter not only illuminates the causes and invariable collapse of the US housing market – primarily because the Titans of Wall Street “could” rather than "should" – but seeks to challenge the mainstream media to investigate the truth rather than seek the platitudes of the "Smartest Guys in the Room." Indeed, with the top ten credit card companies along with the two major credit card marketing associations (VISA and MASTERCARD) spending over $20 billion per year on various forms of advertising, it is not surprising that editorial media "guidance" tends toward corporate compliance than muckraking exposes.

As the subprime mortgage "crisis" subsides and business leaders plead for public bail-outs, Schechter is to be commended for leading the investigative fervor over the emergence of America's consumer debt "squeeze" and culpability of banking execs in the dramatic decline of U.S. economic security.

Indeed, Schechter was among the first to organize a national "Stop the Squeeze" – (stopthesqueeze.org – campaign that is intended to help secure financial relief for America's increasingly indebted majority.

As Americans ponder the future of $100 barrels of oil and strategic alliances with authoritarian petroleum producing countries, the reality is that our national dependence on cheap foreign energy resources could soon be dwarfed by our dependence on cheap foreign loans. Indeed, as public discussion shifts from the costs of military unilateralism to the global reliance on potential foreign policy adversaries, Capitalist America's economic security is becoming perilously dependent on Communist China for the cheap consumer mortgage loans that have financed the US housing bubble and concomitant consumer-driven economic expansion. How ironic that the "Democratization" of consumer credit in the U.S. has become inextricably linked to human rights abuses abroad. It is these types of issues that the mainstream media has consciously avoided that makes Schechter's work all the more important in a society whose new mantra is "In Debt We Trust."

Robert D. Manning, PhD Research Professor and Director, Center for Consumer Financial Services, E. Philip Saunders College of Business Rochester Institute of Technology, Rochester, New York

Prologue

Money makes the world go round, and lack of it can make your world go down as it has for so many people around the world. The law of gravity is as relevant in this sphere as any other: what goes up must come down. And right now, in the United States, some markets are going down as a full-blown credit/debt crisis brings economic issues into focus. Suddenly, stories that were buried in the back of the newspaper are up front as a new wave of economic pain ricochets from Wall Street to Main Street and back again. Waves of layoffs are rolling through the housing and finance sector while bankruptcy filings and foreclosures multiply. Suddenly reports of a kind that we have been accustomed to read about in the news of poverty and downward mobility overseas are coming home to roost.

There's fear, uncertainty and even panic in the world of finance. In an interconnected interlaced system, when one sector implodes, others follow. We are now hearing about what's been called the "Sub-prime crisis" as if only one small corner of the economy is in peril. But, like a serious infection, when untreated, a disease can spread into the whole body and damage not only its well-being but the confidence others have in it.

That's what seems too be happening in the financial markets.

As Peter Morici explains in the Globalist, "Subprime mortgages are hardly the whole credit market, but the meltdown of their bonds cast a spotlight on the decaying integrity of investment banks and bond rating agencies…. Over the last several weeks, creditors have increasingly sensed they cannot trust banks or bond rating agencies, and they have fled to short-term Treasury securities. This was much worse than the collapse of mortgage companies that originated housing loans, because it caused all segments of the credit market to collapse."

Its been called a Ponzi scheme – a manipulated and criminal enterprise. Writes Rodrigue Tremblay: "Like all Ponzi schemes, such pyramidings of debts with no liquid assets behind them are bound to implode sooner or later. And that is what we are witnessing today, i.e. the implosion of unfunded credit derivatives-based Ponzi schemes."

One consequence of this collapse, reports the Wall Street Journal, is that the "wave of corporate takeovers seems to be waning. Homebuyers with poor credit are having problems borrowing. Institutional investors from Milwaukee to Düsseldorf to Sydney are reporting losses. Banks are stuck with corporate debt that investors won't buy. Stocks are on a roller coaster…"

Will the market "correct" itself? Will the contagion be contained? Will this immediate problem be fixed? Can the market bounce back? It's possible on all four counts but, many experts agree, a longer term instability posed by the credit squeeze will continue to haunt us. There is major "infection" – a kind of financial flu – threatening the system in a way we haven't seen in years, and American media outlets and commentators across the political spectrum are finally paying attention and sounding the alarm. While most of the media focuses on the problems confronting very wealthy bankers and financial institutions who are likely to have the means to weather this storm, far more cataclysmic challenges face more than two million families who may be losing their homes while others go jobless. Many Americans are just beginning to feel more economic pain as inflation and recession intensify.

So far the debate in the business press has been about interest rates and "default exposure" and go over the heads of most readers and viewers. At the same time, a few voices of a more critical kind who put this problem in a different context are finally being heard.

There's the populist agitator Jim Hightower who says: "At its core, this is a classically simple story of banker greed and outright sleaze. And the astonishing part is that nearly all of the rank injustice perpetrated by today's money changers is considered legal and is practiced by supposedly reputable financial firms."

The writer Barbara Ehrenreich, a brilliant chronicler of economic problems suffered by the working poor sees a potential upside – the fall of capitalism itself. "The American poor, who are usually tactful enough to remain invisible to the multi-millionaire class, suddenly leaped onto the scene and started smashing the global financial system, "she writes in an essay about those seduced into taking so called NINJA loan based on “no income, no job or assets.”

As borrowers default on mortgages and other bills, the reverberations cascade. “Incredibly enough” she argues, “ this may be the first case in history in which the downtrodden manage to bring down an unfair economic system without going to the trouble of a revolution.”

What’s fascinating is that what may have seemed to be alarmist criticism on the left has moved into mainstream journalism-especially overseas. The Financial Times published in London, was apoplectic in an editorial titled “CREDIT SQUEEZE – THE DISASTER MOVIE.” They compard the credit “squeeze” to “the plot of a hundred disaster movies,” writing, “the longer this goes on, the greater the risk to the real economy.” I enjoyed this because months ago, CNN Money compared my film In Debt We Trust to the horror Movie Carrie commenting the documentary is “even scarier.” The Economist likened the subprime scandal to a “toffee apple with a maggot at its core.” All of these news outlets say this scandal is not going away anytime soon.

Paul Krugman commented in the New York Times, “Maybe the subprime disaster will be enough to remind us why financial regulation was introduced in the first place.” Interesting that he – a Princeton economist as well as an op-ed columnist – also calls this crisis a “disaster”

The writer Lewis H. Lapham sees a parallel between the collapse of the U.S. housing bubble and the war in Iraq that has eluded most commentators. Writing in Harper's Magazine, he notes, “I was struck by the resemblances between the speculation floated on the guarantee of easy money on Wall Street and the one puffed up in the preview of an easy victory in Iraq.”

These tensions are now or soon will impact on everyone, possibly even bringing on a global recession or worse. We are in what seems to be another boom and bust cycle with global implications. Writes Economist Max Wolff: “So many shares, bonds, vehicles and funds are bloated with leverage that fall-out will be significant. The harder central banks, politicians and pundits fight, the longer and more volatile the adjustment. Continued large central bank cash infusions and rate cuts are in the offing. Hundreds of billions have already been infused.”

With billions of dollars at stake, with millions of Americans affected, with tens of thousands of businesses at risk, this is an issue that demands our attention. It also demands to be reframed because it is not just about finances or the market or businessmen who made mistakes. Its about a calculated crime, a deliberate strategy to take advantage of a subprime lending initiative intended to help people with poorer credit own their homes and turn it, with the help of leading financial institutions driven by greed in to a way to defraud them – and, in the ultimate irony, destroy many of their own companies and financial markets. Their corrupt pactices have put the global economy itself at risk.

This short instant book tells three stories.

• It discusses how debt has restructured our economy and put our people under a burden that many will never crawl out of. It shows how access to credit has, for many, gone, in Steven Green's phrase "from a luxury to a necessity to a noose." It identifies the profiteers and calls for an investigation and the prosecution of those behind this shrewdly engineered ponzi scheme.

• It offers the critique of a media critic who has monitored flawed and superficial reporting on the subject and who is trying to challenge the news media to improve its coverage the problem and it also monitors some of what it has done. It discusses the making of my own new film intended to fill part of void. The story of ***In Debt We Trust: America Before the Bubble Bursts*** discusses its impact and the battle to get it seen.

• It advocates a debt relief movement in America and argues that such a movement would have tremendous resonance across the spectrum of political life. It urges citizens to get involved and politicians to respond.

This book draws on articles, blogs and essays written by a journalist and filmmaker who is simultaneously learning about these problems and alerting others to them. It is a collection of published pieces and new writing. It is also a call to action.

Danny Schechter, "News Dissector"
New York City
December 2007

Comments to: Dissector@mediachannel.org

CAVEAT

This instant internet E-Book, published by ColdType.net in Canada in a first edition in the Adobe PDF format, was inspired by the tradition of American pamphleteering exemplified by the work of the American revolutionary Tom Paine (who, of course, has no responsibility for this effort) and the Soviet-era samizdat publishers forced to work underground.

In our culture, we do have many publishers of small and large presses but as someone who has had eight books published that way, I know how long it takes to go from pitch or proposal to book in hand. And then the real battle begins for attention and distribution in an environment dominated by big names and bigger budgets. I don't want to get into how many books reflecting years of work languish because of poor marketing and promotion.

Often, issue-oriented books appear well after the fact, not when they can best stimulate or contribute to an ongoing debate. Publishing this way is more immediate, accessible and timely. ***Squeezed*** primarily chronicles events over six months in 2007 and the explosion/implosion of an economic crisis that had been building for many years. Happily, it can be available in this same year just in time for the Christmas shopping season which the prognosticators already fear will be a disaster.

It is the work of a journalist who often finds himself "ahead of the curve." My book ***Embedded: Weapons of Mass Deception*** on the media war in Iraq was published by ColdType.net this way in the early summer of 2003 in a stunning climate of patriotically correct denial. I can only hope that this one has more impact if only because of the way so many institutions we trusted are losing that trust so quickly. And also, lest I remind you, how this affects our wallets and financial survival.

I am sure we will soon be deluged with barrels of more books on the issues I treat, written by authors far more expert than I. Journalism has been called the "first draft of history" but this is a history we can, hopefully, still influence if we wake up and have the courage to proclaim a state of economic emergency to do what must be done. For starters, we need to arm ourselves with information (or harm ourselves) and then drive the money changers from our temples.

If you find this book of interest, please subscribe to the ***ColdType Reader*** at ColdType.net and appreciate an effort that in our market-driven, financialized and monetized world is being offered without charge, but with professional caring, by Tony and Julia Sutton and, yes, with hope for the future.

D.S.

Contents

INTRODUCTION
"It's the economy, stupid"

Maybe Bill Clinton was right in his first campaign for the presidency when he promoted a slogan that pushed economic issues to the top of his agenda. Since then, they have been eclipsed, and, for years, the fallout from 911, the debate over the Iraq war and focus on the impact of the Bush Presidency have dominated our attention. But now, economic issues are back with the intensity of a hurricane to force us to confront them. Speaking of hurricanes, Senator Chris Dodd has called the subprime scandal, "a 50 state Katrina."

And in the epicenter of this storm are two words that have tended to be buried: credit and debt.

Usually, when we hear about economic distress, it takes place in someone else's country; often in Africa or some place you have never visited conjuring up images of desperation and sadness. The same is true when you hear about debt. When rock stars like Bono or Bob Geldof crusade for debt relief, they are doing so, however successfully – and there is a big debate about that – around conditions in what we used to call the Third World and what others refer to as Developing Countries, even when they aren't.

What is more rarely discussed is economic deprivation and exploitation in our own country and what we think of as "The West." We may hear stories about individuals with problems but we rarely hear about deeper economic forces and the institutions that create and perpetuate the problems, Discussions of how our own economy has been transformed in a way that accelerates deep economic inequality and all the suffering that flows from that have been minimal.

As a journalist, blogger and filmmaker, economic issues are not foreign to me. I grew up in a working class home in a family of unionized workers who spoke of the importance of solidarity with people fighting for their rights and economic security. When I became active in civil rights and human rights movements, I was exposed to how economic forces were driving the mistreatment of minorities and workers in other countries.

When I joined the media, I sought to integrate my understanding of these issues into my own work. I quickly realized that the lack of media attention to labor and the impact of economic policies kept important issues in the dark.

As the mainstream media itself moved away from in-depth reporting, and towards a more superficial focus, distortion and deception assured audience distraction.

I spent many years writing about the need for media reform and the decline in reporting that investigates economic power and special interests that often stack the deck against consumers. As a reporter myself, for years, I focused on human rights and then media issues, but now I have come back to seeing how directly the economic system imposes itself, for good and, yes, evil, in every corner of our lives.

It wasn't hard to realize that in recent years, our economy has changed from one built around production to one centered on consumption. The mall replaced the factory as our dominant economic icon. Debt has been key to restructuring this economy and keeping it flourishing.

As a result, explains Stephen Pizzo, "America and Americans have switched from being net creditors (money lenders) to net debtors (credit junkies). And not just American Yuppies hooked on credit cards and home equity loans. No Siree. Corporate America, the folks who got Americans hooked on living beyond their own means fell for their own line and started doing so themselves."

Driving this change is a growing concentration of power in the financial and banking sector. That, in turn, unleashed a process called FINANCIALIZATION with the economy dominated by a vast CREDIT AND LOAN COMPLEX every bit as insidious as the Military Industrial Complex. This Complex is shadowy and omnipresent, active in funding our politicians and lobbying for laws that benefit their businesses. At the same time, it is invisible to most of us. It operates through a fog of shadowy lobyists, interconnected institutions and highly legalized (and hence poorly understood) rules, laws and procedures underpinning the market system and the high-speed computers that move money and buy/sell orders around the world in seconds.

It is often difficult for outsiders to penetrate the dense language that define the rules of the games financiers play. The outline of the whole system only comes into view when there is crisis. Recently, Jeremy Grantham, a leading investor, compared the finance system to a large BRIDGE with interlocking pieces…

> *"Thousands of bolts hold it together. Today a few of them have fractures and one or two seem to have failed completely. The bridge, however, with typical redundancy built in (unlike the Minnesota one that collapsed), can (easily) take a few failed bolts, perhaps quite a few....*
>
> *What is worrisome is whether or when we reach a "broad-based level of financial metal fatigue" causing simultaneous multiple bolt failures "with ultimately disastrous consequences."*

Stephen Lendman adds: "What's also scary is the global financial structure is heavily "faith based, held together by unprecedented amounts of animal spirits" moving in the same positive direction. If the faith wanes, it's then "every man for himself" and look out below…."

Before I take you deeper into this world, let me assure you that I am probably considered totally unqualified to tell you any more. I am a journalist but not an economic specialist. I went to the London School of Economics but studied politics, not economics, a.k.a., the "dismal science." I have never worked on Wall Street and am even pretty hopeless in managing my own money, much less "OPM" – other people's money. I did a stint at NBC's Business Channel CNBC but on a talk show, not in the newsroom monitoring market shifts.

I may not know a derivative from a tranche, but I think I do know how to ask questions that the so-called Masters of the Universe avoid. The experts in this field are as divided as in any other. They usually do not agree with each other and are often masters at keeping the public confused.

In many ways, moneymaking is as much an art as a science. And despite all the rules that govern the markets or regulations designed to assure transparency and accountability, crooks, swindlers and even gangsters are commonplace. Corrupt practices are pervasive; regulation is not. A survey of professionals in the field were asked how they define criminal conduct. The majority surveyed said crimes only occur when you are caught. There is also extensive posturing in the industry to mask the often-fuzzy line between risk and uncertainty. In many instances, major decisions are made on the basis of fragmentary knowledge, even ignorance, despite professions of careful reviews and "due diligence."

The Financial Times cites a market economist at Lehman who said:

> *"We are in a minefield. No one knows where the mines are planted and we are just trying to stumble through it". A few days ago another market participant put it this way: "It is not the corpses at the surface that are scary; it is the unknown corpses below the surface that may pop up unexpectedly".*

So if the people in the know admit they don't know, why shouldn't I opine and report on these issues? Many of the "experts" who I read or see on TV seem clueless, full of hot air. Many of their predictions turn out wrong even when they seem so self-assured and well informed in making them. Hightower warns against believing them, writing,

> *"Don't be deterred by the finance industry's jargon (which is intended to numb your brain and keep regular folks from even trying to figure out what's going on)."*

A folksinger, Ethan Miller, even sings about the way some of the always all-knowing media pundits have turned their prognostications into a form of entertainment – call it *financetainment*. His song is called "the Market Game."

One lyric:

Does it seem like we've given up our power
To an entity that we can't even see?
Oh, this is not the first time that it's happened?
You can learn about the others on TV

How does one make sense of what is going on? After the NY Stock market took a 340-point drop only to quickly recover, I went to the business pages of the NY Times. I figured that they would explain it. But THEY DIDN'T KNOW either reporting. "Emotion and psychology, not financial fundamentals were mostly at work." They quoted the chief US equity strategist for Citibank who said, "I don't think anybody can make sense of it."

Part of the problem here is that the traders and brokers have come up all sorts of highly esoteric and complex financial instruments – ways of securitizing debt and raising capital – that outsiders, even experienced journalists, have a hard time understanding, much less explaining. Ditto for regulators (and the laws they theoretically enforce) who are hard pressed to keep up with the pace of change. Market traditionalists are also lost. The Telegraph of London reports:

"Even some bankers like Jean-Pierre Roth, president of the Swiss National Bank, who believes the market turmoil is far from over because tremors from the sub-prime debacle will continued to rock the world is confounded. Something unbelievable happened," he said. "People who had neither income nor capital got credit with very attractive conditions. Now reality is striking back."

Of course he does not mention that the subprime loan was a well thought out marketing scheme designed to seduce borrowers with poor credit ratings who would pay more in fees and interest.

Everyone complains that the system has got too complicated even for players who try to define their own reality. Writes Andrew Leonard on Salon.com

"The truth of what is really going is far more complex. So complex that no one has a good handle on exactly what will happen if things go awry. Not regulators, not traders, not even pessimistic journalists. Try reading an SEC filing from a New York investment bank – it is one of the most difficult-to-comprehend documents ever created by the human mind…It is not, in a word, transparent. It serves the opposite purpose: It is an instrument of obfuscation,"

No wonder the media coverage is so confusing. Perhaps that's why so much money is now being invested in upgrading and disseminating business news

The market for financial and business news is big and getting bigger. There is a reason that Rupert Murdoch was willing to pay five BILLION for the Wall Street Journal and Dow Jones. He spent even more in creating, staffing, launching and marketing a new global business channel. His maneuver came on the heels of Thompson acquiring Reuters while Bloomberg and the Financial Times announced plans to expand and compete

Bear in mind that this is not all being done only to inform the public. Much of it is aimed at the industry itself and high income consumers. News organizations that specialize in business news often also make money from the information they don't make public but offer in specialized newsletters or other "products" sold for big bucks to elite customers. Finance is itself an information business and the one most striking complaint heard among insiders during a period of market volatility was that their panic was feeding on a lack of knowledge about how much "bad debt" was in their system. It seems too be a mystery, even to them.

For me, mysteries make challenging stories.

I gravitated towards trying to understand, investigate and then popularize some of these fascinating issues because of the massive impact they are having – and because I felt our media was doing such a poor job in explaining and tracking them. Now, thanks to editor Tony Sutton, I am collecting articles, blogs and columns I have been writing on the issues in the hope that readers will find them of some value, and perhaps use.

Most of my writing on the subject came as a result of making ***In Debt We Trust***, a documentary film in hopes of getting the story out to a larger audience. Let me start with that:

The Film

In Debt We Trust began as a film about what I thought were other people's problems. I came to realize how deeply they affect me as well. The experience of making this film has led me to understand how many ways policies and practices are tied to a growing national debt burden and have an impact on my personal finances.

Even as a former network journalist and long-time investigative reporter, I was shocked and outraged when I started probing the roots of these issues.

This is a problem involving millions of people and billions of dollars yet it is downplayed and rarely discussed in all of its disastrous dimensions.

It's about a growing inequality that some experts fear will lead to new 21st century serfdom. It's about the transfer of wealth from working people into the vaults and accounts of a relatively small number of financial institutions and real estate interests. The lenders are not only profiting by charging usurious rates but doing so legally in part because they have mastered the art and science of marketing products and then manipulating our media, politicians and political institutions to allow them to do what they want.

Over the course of my career, I have made 20 films and won many awards and some recognition. Most have been shown at top festivals and aired on TV. I am attached to all of them but ***In Debt We Trust*** is different because it doesn't just document suffering, it warns of the implications of consequences that will affect all of us. Perhaps that's why this issue cuts across party and partisan lines in a way that can potentially unite a nation. Perhaps that's why mostly everyone I tell about the film tells me about how they have become personally ensnared in the debt trap.

My hope is that this film will spark a national response – a demand for economic fairness and justice, regulation in the public interest, along with a heightened sense of personal responsibility by consumers seduced by the false promise of "free money."

What's been called the "democratization of credit" has led to the democratization of dependency. It has created an unsustainable society, trapping millions in a financial hole they can't escape from and often do not understand.

Over the past 25 years, America has moved from a society based on production to a nation driven by consumption; from a country that once shared its resources with the world to one deeply in debt to foreign banks and countries – to the tune of TRILLIONS of dollars. As the growing number of bankruptcies and foreclosures testifies, our national debt is mirrored by a skyrocketing consumer debt, with a growing number of individuals and families unable to cope.

Says former Georgia Governor Roy Barnes, "It is shocking to me that intelligent people, educated people, have not taken time to think about this. We cannot sustain over an extended period of time these high levels of debt . . . particularly at high rates of interest. Because . . . what will happen is that whenever it comes to an end . . . and there is an end to the amount of credit . . . in other words, when it gets so leveraged, it will create an economic crisis so deep that it will threaten us as a nation . . . And so we have this . . . this real threat to the way we are as a people. And nobody seems to be concerned about it."

In Debt We Trust is concerned about it. Our focus is what to do "before the bubble bursts?" And then while I was struggling to distribute it the bubble started bursting. You would think this would make the film more timely.

We set out to try to put this issue on the national agenda. Working with the country's leading credit card expert and critic, Dr. Robert Manning, of Rochester Institute of Technology, we intend to use the film as part of an educational campaign to help individuals improve their financial planning and encourage organizations to get involved in a campaign for change.

Over the years, documentaries have helped prompt a national discourse on many issues. That's my hope for ***In Debt We Trust***, which we have tried to make compelling viewing in a spirited style. Many at the TV news networks that I have worked with over the years say you can't cover complex issues, especially on economic questions, because it is boring and a turn-off.

My film is out to prove them wrong.

The American public needs to know why debt has become "the enemy," in the words of one of the people we interviewed. All Americans need to know what we can do about it. ●

THE UNITED STATES OF DEBT

Total number of Americans	300,000,000
Total consumer debt of Americans	$3,000,000,000,000
Average debt per U.S. household	$30,000
Number of households not paying off their credit card balances each month	6 in 10
Average length of time, in months, spent paying off credit card debt	43
Consumer bankruptcies in 1980	287,463
Consumer bankruptcies in 2004	1,500,000
Consumer bankruptcies in 2005	2,000,000
Percent increase in bankruptcies	422
Amount the average college student owes in loans by graduation	$30,000
Amount that same student owes in additional consumer debt:	$20,000
Amount $1 invested in stocks in 1963 would have compounded to today	$12.36
Amount $1 invested in real estate in 1963 would have compounded to today	$1.79
Total in 2005 and 2006 lenders wrote in new home mortgages	$3,200,000,000,000
Net profit percentage annually by the major credit card companies	54
Years it took for America to move from a society based on production to a nation driven by consumption	25
Date when the first baby boomer will be eligible for early retirement	1/1/2008

THE WARNING

"The combined threat of subprime loan defaults and excessive indebtedness has supplanted terrorism and the Middle East as the biggest short-term threat to the U.S. economy."

National Association for Business Economics

CHAPTER 1

Sounding the Alarm

My film on debt, like my earlier documentary on media coverage of the war in Iraq (WMD: Weapons of Mass Deception) grew out frustration with and anger at media coverage of the issue. That's why I leapt at the opportunity to assess what was being reported for Harvard's Nieman Reports, a journal read by leading journalists and editors. I wrote my first article on the subject early in 2006 while I was still working on *In Debt We Trust*

INVESTIGATING THE NATION'S EXPLODING CREDIT SQUEEZE

When I started out, my film was going to be about other people's economic woes. Pretty soon I realized I was part of this story of how the credit industry targets poor and middle-class Americans. Not only was I a target, too, but all of us are.

There is a credit divide in America that fuels our economic divide. Put another way, the globalization of our economy is about more than outsourcing of jobs. There is a deeper shift underway from a society based around production, with the factory as the symbol of American economic prowess, to a culture driven by consumption, with the mall as its dominant icon.

My film ***In Debt We Trust*** combines story telling, often in a voice laced with outrage, with investigative inquiry. It's about a nation where our credit score is the only score many people and institutions care about, and where vast databases record our every purchase and consumer choice. Ours has become a nation in which the carrot of instant affluence is quickly menaced by the harsh stick of bill collectors, lawsuits, and foreclosures. And yet, this bubble can burst: The slickest of our bankers and the savviest of our marketers have not been able to undo the law of gravity, that what goes up must come down.

Viewers of our film will be transported behind the scenes to meet the biggest scammers of them, the engineers and operators of the billion dollar credit card industry who have researched the details and minutiae of consumer needs as well as our shopping fantasies so that they can deploy the deceptive art of seductive marketing and modern usury. We will scrutinize a carefully conceived but stealth electronic web, designed to entrap, cajole, and co-opt the most powerful consumer culture on earth. It teases us with a financial advance when we want it, then sucks it away from us with more force than we realize.

REPORTING THESE STORIES

In the old days the poor couldn't qualify for loans. Today, they are considered among the better risks because unlike the rich many feel an obligation to pay back. Steve Barnett, who worked in the credit card industry and will appear in our film, explains: "These are the perfect customers. They need credit, so they're not all that concerned about interest. They'll take a higher interest if you will grant them credit. They'll pay off a small amount each month so they're in a sense 'on the hook.' And because of their own sense of values or because of their own background, their family background, they're not likely to declare bankruptcy again. Given the change of laws that's more difficult anyway." And manufacturers now know they can spur sales by lending money to buyers up front and then get them to pay twice – first, at the register, then with credit card payments, big interest rates and compounded interest.

Given the ubiquitous nature of these practices – and the reasons why they exist and persist that stretch from corporate America into the halls of government and revolve around issues of corporate greed and political favors – the expanding gaps between those who have (and then have more) and those who don't (but pay anyway) need to be explored and exposed by journalists. I am raising this issue, and suggesting ways that it can be reported, because I believe this is an essential story for us to tell.

- Report more regularly on these credit issues; billions of dollars are involved, not to mention millions of lives.

- Identify the key corporate institutions and contrast the compensation of their executives with the financial circumstances of their customers.

- Shine a spotlight on how special interests and lobbyists for financial institutions contribute to members of Congress and other politicians, across party lines, to ensure their desired policies and regulations. Investigate political influence affected by campaign contributions. Some reporting about this took place during the bankruptcy debate, but there has been little follow-up.

- Examine the influence credit card companies have on media companies through their extensive advertising.

- Take a hard look at the predatory practices in poor neighborhoods, including subprime lending – and crimes committed against poor and working class people, who are least able to defend themselves. Legal service lawyers tell me that they are overwhelmed by the scale of mortgage scams involving homes whose value have been artificially inflated.

- Focus attention on what consumers can do to fight back. Robert Manning, author of "Credit Card Nation," explains:

"If ten percent of American credit cardholders withheld their monthly payments, it would bring the financial services industry to a standstill. At a larger issue, what we have to do is to get people involved at the state level, get their state attorney generals involved, aggressively filing class action lawsuits and then putting pressure on key legislators to say, 'This is unacceptable that they're not representing and balancing the issues of commerce with consumers. The balance is tilted dramatically against the average American.'"

THE STORY'S KEY INGREDIENTS

Class struggle is assuming a new form in the conflict between creditors and lenders that reaches into many Americans' homes, where each month bills are juggled and rejuggled with today's credit card bills paid by tomorrow's new card. Meanwhile, with interest compounding at usurious rates, indebtness grows and people sink even deeper into debts they cannot manage. In this conflict, companies function as well-organized marketing machines while borrowers are forced to react as individuals. Many are browbeaten with lectures about "personal responsibility" by corporations that only pay lip service to any form of social responsibility.

Centuries ago, we had debtors prisons. Today, many homes become similar kinds of prisons, where debtors struggle with personal finance issues. The scale of indebtedness is staggering as consumers simply follow their government's lead. As of Christmas 2005 the national debt stood at: $8,179,165,267,626.42. Break that down and each American's share comes to $27,439.48, and our nation's debt increases $2.83 billion each day. Add to that two trillion more for consumer debt including mortgages. That's a lot of money.

Who is really responsible for it? Few of us seem to know. And fewer appear to know what can be done about it. "They're never going to be repaid," says economic historian Michael Hudson who for many years worked at Chase Bank. "Adam Smith said that no government had ever repaid its debts and the same can be said of the private sector. The U.S. government does not intend to repay its trillion dollar debt to foreign central banks and, even if it did intend to, there's no way in which it could. Most of the corporations now are avoiding paying their pension fund debts and their health care debts."

The government and big companies might not have to pay, but regular people do, as our collective consumer debt has doubled to the past ten years. With mortgage debt included, it has now reached seven trillion dollars. Hudson compares the plight of millions of debtors in the United States to serfs of an age gone by: "For many people, debts now absorb 40 percent of their income. So many people are paying all of their take home wages over and above basic expenses for debt service. And that's rising. In effect, 90 percent of the American population is indebted to the top 10 percent of the population."

The coffers of creditors – funded by the most prestigious banks and financial institutions – are swelling with payments for arbitrarily imposed late fees and rising interest rates that seem to be largely unregulated. Borrowing is now a national habit. Fueling this shift globally has been our national debt – now in the trillions – as other countries finance our trade imbalances and keep our economy strong. Without that influx of money, the U.S. economy would be in crisis. Everyone in the know knows this, but they do little to deal with it, relying on the theory that if it ain't broke, don't fix it. Occasional warnings and lots of noise surface about cutting the government's annual deficit, including a devastating report by Comptroller General David Walker who compares the United States today to Rome before its fall. He is dismissed as a "prophet of gloom, and downplayed in the press as our debts keep growing. All of this borrowed money keeps people pacified and, for the most part, politically complacent for now.

So many of us live beyond our means. How this shift has been engineered through corporate decisions that are aided and abetted by government polices isn't shown in news reporting. Questions of by whom and for whom need more and better investigation, as well as a look at who are the losers and who are the winners.

Business reporting that focuses on the up ticks and downticks of the market provides little room for explanation, analysis or connecting-the-dots journalism. In part, that is a result of the fact that many of our major media companies don't operate in a world apart from these pressures. At least ten credit card solicitations have arrived recently in my mail, and the Disney (owner of ABC television network) card was in that pile. Many credit cards boast of partnerships and discounts from media companies and entertainment providers, from subscriptions to DVDs. Like car companies and airlines before them, the media industry has discovered that there's money to be made in the credit business, and so credit card companies become big media advertisers. Why alienate them?

This credit squeeze is hitting the news business, too. Jobs are being cut and reporting trimmed. Joe Strop of Editor & Publisher observed in his 2005 media wrap up, "Using the bizarre premise that newspapers can bring back lost circulation and ad revenue by making their products worse, top executives at major chains from The New York Times Company to Tribune took a butcher knife to staffing with buyouts and layoffs that appeared almost epidemic."

What happens to news business employees laid off in this environment? Like those in other industries where cost-cutting leads to unemployment, they enter what insiders in the credit business call "the turnstile," living on more and more credit from their cards, soon to be followed by a dip into home equity. Nor have wages and benefits kept up with inflation, and many are being cut. Health care extensions after a job ends are over within a year, and then what? What's the alternative? More debt is one of the few accessible options. The turnstile keeps turning as personal debt keeps growing.

These issues and scams can be reported, and they must be, not just in consumer advice columns and soft features, but also with hard-hitting and serious investigative reports. ●

BUSINESS NEWS

I was in the market for a new Market
And found one
Only the aisles
Were called Tranches
and there were no
Breakfast foods with Special K
only credit derivatives
with fewer calories of culpability

There was a sale on Cubed CDO's
in the financial instrument section
where the meats used to be
And where I waited for an in-store speculator to slice
an asset bubble of exotic SIVs (structured investment vehicles)
How Tasty – AAA+ they were along with
A Steaming Equity sandwich
Which you could value and price
Which is always so nice.

Oh yum, and then I was advised to avoid the
pool of risky loans of RMBS's (Residential
Mortgage Backed Securities) in the back
And to taste a subprime treat
In front of the Regulatory Oversight counter
Right next to the list of fat tail events where
The bonds and the funds and the deviation events
Avoided defaults and delinquencies
And made us all rich on other people's money.

May we bless The Big Ben at the Fed?
And Praise the Gods of CNBC
For Jim Cramer's mad and mighty mouth
And then cut the discount rate together before we
Charge it or swipe it at the register with
our collateralized debt obligations
So we can securitize our way home
Before we find it gone

Cause the foreclosure boys got there
Before we could
Contain the
Catagion

Don't panic or get manic
The Economy is Strong
Our President says
And Says Again and Again

And remember:
Leverage is everything

Danny Schechter
August 2007

CHAPTER 2

Critiquing the Media Response

By November 2007, the American media finally "discovered" the story, a decade after the build up of the highest debt in our history and years after credit scams and subprime scandals were pervasive. How did so many media outlets miss the story when they could have exposed it, and why were they so unresponsive to advocates for the victims, critical economists and media critics who tried to press the press for more coverage? Why are so many news outlets still ignoring the real issues and interests? And what can we do about it?

HOW DID WE MISS THE SIGNS OF AN IMPENDING CRISIS?

Why did the markets and the media downplay the subprime menace?

That question. Again? It was asked about 911 in connection with our government ignoring warning after warning about likely terrorist attacks. The CIA has just raised it again about their own ostrich-like behavior in the run-up to the war on Iraq. Now its being asked by the New York Times about the failure to anticipate and potentially pre-empt the Sub-prime mortgage crisis which has since escalated into a deeper meltdown in global financial markets leading to lay-offs and predictions of a serious fall-off in economic growth.

More ominously, this is an ongoing crisis not just confined to markets. It is expected that, once adjustable rate mortgages are "reset" upwards, two million more families face the foreclosure of their homes. Their economic pain is being recognized but too late to prevent a vast displacement of people who cannot afford to live in homes they were suckered in to purchasing with the promise of practically free money.

Did this "just happen," appearing one morning out of blue skies like a hurricane moving from category 4 to category 5? Of course not! The signs were there for all who wanted to see them, and warnings were plentiful even as they were ignored.

It's odd how on, the front page of its widely-read Sunday edition, the "newspaper of record" could splash a story on how the media and the markets looked the other way as massive deals were being financed by securities cobbled together from sub-prime loans backed with no assets. Why were the signs missed, asked the Times?

Unlike the CIA, the Times did not assess its own reporting and its role in all this.

A few days later the newspaper's business columnist showed that, in fact, many did know and tried to raise the alarm. This revelation seems to be an example of the front pages not knowing what the business pages had reported.

The columnist reminded readers that Ben Bernanke, Chairman of the Federal Reserve Bank who just pumped billions of dollars in the markets to keep them liquid and then followed up with a cut in the discount rate, was asked about these issues two years earlier:

"It came in November 2005, toward the end of his all-day Senate confirmation hearing, when Senator Paul Sarbanes brought up the mortgage business. Mr. Sarbanes, the ranking Democrat on the Banking Committee then, pointed out that the number of people taking out adjustable-rate mortgages soared in 2004.

"Are you concerned about the potential for a bubble in the housing market?" the senator asked Mr. Bernanke.

"And specifically, does the drastic increase in the use of risky financing schemes, including interest-only and even negative amortization mortgages, concern you?"

Mr. Bernanke replied that the Fed was reviewing its guidelines for these loans and planned to issue new ones soon. The guidelines, he added, "would have on the margin some beneficial effects in reducing speculative activity in some local markets." At no point, though, did Mr. Bernanke suggest that he was concerned.

And what about the larger media? Where was their concern? Back in the spring of 2006 I published an article in Nieman Reports, the journalism review published at Harvard and read by top editors. I specifically lambasted the lack of reporting on the issue. It was titled "Investigating the Nation's Exploding Credit Squeeze."

Its thesis: 'Questions of by whom and for whom need more and better investigation, as well as a look at who are the losers and who are the winners.'

The response: tepid.

I then followed up by organizing a Media For Democracy online-email campaign. (Media For Democracy is an advocacy effort tied to Mediachannel.org, the media issues website I edit.)

Media For Democracy members sent tens of thousand of requests to media outlets urging that the issue be given more coverage. This was well before the market meltdown. The appeal read in part:

"We are dismayed by the superficial reporting we have seen on the debt crisis in America. The press has been asleep at the switch in reporting on this story, often showing more compassion for wealthy businessmen than abused consumers.

"We believe that our media outlets have a responsibility to offer more context, background and information about how this debt crisis occurred and what we can do about it."

What was the response? Not much. Most responses came in the form of yada-yada-yada form letters as in "Thank You For Writing to the Today Show." Responding to public concerns and suggestions are not high on the media agenda.

I then made the film ***In Debt We Trust: America Before The Bubble Bursts*** to try to raise the visibility of the issue. The film was well reviewed but ignored by the New York Times. I personally sent copies and letters to leading op-ed writers and reporters. The result: nary a mention. I have been interviewed extensively in the alternative press but largely ignored by the mainstream.

That's not entirely true. CNN and MSNBC did carry positive articles on websites, including one, which compared my documentary to "Carrie," a horror movie. The piece suggested mine was scarier. Tavis Smiley had me on; Larry King did not. Oprah has yet to return a call. (And AOL/truestories is now streaming the film.)

The media has still not given us an accounting for burying the story. It's hard not to wonder if their disinterest has something to do with advertising. Mortgage lenders have spent more than $3 billion dollars on TV advertising, radio and print since 2000. Much of it is deceptive and misleading say experts – the industry denies it – yet media outlets have not challenged their accuracy. Is it any surprise that this industry has received so little scrutiny from another industry benefiting by its largesse?

Eventually, on the Iraq War, some media outlets admitted they practiced poor journalism even as many of their mea-culpas did not basically change their narratives.

Why not on this issue?

The only media controversy I saw revolved around whether Jim Cramer of CNBC and TheStreet.com was right to demand that the Federal Reserve Bank cut interest rates. His TV commentary on the issue was a screaming rant, the type of approach he takes on his TV show Mad Money. The commentary later had more than a million views on YouTube.com.

When the Fed later did cut its discount rate, Cramer claimed credit but then, later in the same broadcast had second thoughts, admitting that the Bank did not follow his advice. Cramer has yet to scream about justice for those tricked into signing up for subprime loans. (When the iTulip.com website which critiques shallow financial journalism mocked the Cramer commentary, TheStreet.com went berserk, demanding that YouTube take it down and threatened to sue. It appears that this TV bully and critic is really very thin-skinned when he is criticized.)

Other media critics have been scathing about the dereliction of duty that is so obvious here. Dean Starkman of the Columbia Journalism Review was contemptuous:

> *"What's wrong? Why ask us? This kind of after-the-fact financial reporting I equate with a National Transportation Safety Board investigation – kicking through smoldering wreckage after the plane has already crashed. There's nothing intrinsically wrong with this kind of reporting. It just feels a little late. Also, I always find it disingenuous to talk about napping watchdogs, as in the headline above, when the Journal and the rest of the business press themselves slept on the job and had to scramble to catch up to the corporate scandals earlier in the decade."*

Now the story is being covered but it is often the wrong story. The reporting tends to focus far more on panicky markets than victims of predatory lending. Some years back, a hamburger chain challenged its competitors with commercials asking, "where's the beef?"

My questions today to media colleagues, including the progressive blogosphere, are where's the pick-up, where's the follow-up, where's the outrage? ●

August 25, 2007

WHAT'S MISSING IN THE MEDIA COVERAGE?

The problem with media coverage of business and economics is not just spin or bias. Some of the reporting is quite good. What is often missing are references to deeper structural problems that lead to economic pain and disparities.

When the focus is just on the ups and downs of markets, we tend to see a sanitized world of men in ties, computers, and experts. When we go out into the streets we see something very different.

In an essay on economic trends called "A "Slow Motion Train Wreck" that quoted my own views, writer/economist Stephen Lendman notes that "The problem is deep, structural and aided by stripped away regulatory protections giving predatory lenders and Wall Street schemers free reign to target unsuspecting victims."

He ticks off some of the major trends in our economy that are rarely cited:

- soaring consumer debt;
- record high federal budget and current account deficits;
- an off-the-charts national debt, far higher than the fictitious reported number;
- a high and rising level of personal bankruptcies and mortgage loan delinquencies and defaults;
- an enormous government debt service obligation we're taxed to pay for;
- the systematic loss of manufacturing and other high-paying jobs to low-wage countries;
- a secular declining economy, 84% service-based, and mostly comprised of low-wage, low or no-benefit, non-unionized jobs;
- an unprecedented wealth gap disparity;
- growing rates of poverty in the richest country in the world;
- a decline of essential social services. ●

You can read more of Mr. Lendman's analysis at: sjlendman.blogspot.com

ADDRESSING THE MEDIA: THE MEDIA FOR DEMOCRACY APPEAL

Mediachannel.org and our advocacy associate Media For Democracy has been trying to keep this issue and it media coverage in the spotlight with critical articles and appeals to our readers to press the press to investigate the issues. (Later, many news outlets would acknowledge that they missed the build up to the crisis.)

Here is the appeal we circulated.

"We are writing to you as members of Media For Democracy, a nonpartisan, not-for-profit, advocacy organization concerned about improving media coverage on important issues.

We are dismayed by the superficial reporting we have seen on the debt crisis in America. The press has been asleep at the switch in reporting on this story, often showing more compassion for wealthy businessmen than abused consumers.

We believe that our media outlets have a responsibility to offer more context, background and information about how this debt crisis occurred and what we can do about it.

MediaChannel.org editor Danny Schechter has updated some recommendations that first appeared in Harvard University's Neiman Reports. Will you please consider these suggestions?

- Report more regularly on these credit issues; billions of dollars are involved, not to mention millions of lives.

- Identify the key corporate institutions and contrast the compensation of their executives with the financial circumstances of their customers. Look into the process of "financialization" that is transferring more wealth from the people with the least at the bottom of society to the people with the most at the top.

- Shine a spotlight on how special interests and lobbyists for financial institutions contribute to members of Congress and other politicians, across party lines, to ensure their desired policies and curb effective regulations.

- Expose political influence driven by campaign contributions. Some reporting about this took place during the bankruptcy debate, but there has been little follow-up.

• Examine the influence credit card companies have on media coverage through their extensive and expensive advertising and sponsorship of events.

• Take a hard look at the predatory real estate practices in poor neighborhoods – and crimes committed against poor people, who are least able to defend themselves. Legal service lawyers tell me that they are overwhelmed by the scale of mortgage scams involving homes whose value have been artificially inflated.

• Focus attention on what consumers can do to fight back. Robert Manning, author of "Credit Card Nation," explains: "If ten percent of American credit cardholders withheld their monthly payments, it would bring the financial services industry to a standstill. At a larger issue, what we have to do is to get people involved at the state level, get their state attorney generals involved, aggressively filing class action lawsuits and then putting pressure on key legislators to say, 'This is unacceptable that they're not representing and balancing the issues of commerce with consumers. The balance is tilted dramatically against the average American.'"

• Report on initiatives like Americans For Debt Relief Now that are dedicated to alleviating the debt burden on American families and raising awareness about the consumer debt issue.

We need to educate the public about the deeper forces at work and the need for structural changes in our economy, urgent political reforms and regulations and new consumer protections. We need to stop restating problems and start exploring solutions, including debt relief and a moratorium on foreclosures.

Please let me know what, if anything, you are prepared to do to concerning this economic disaster affecting millions.

Signed"

Reading this now, in the aftermath of the market crisis is not an occasion to pat ourselves on the back. At least we can say we tried to get warnings in the media – and that's a lot more than many of my colleagues, left, right, and center even attempted.

A READER WRITES

I was amused to read this letter in Salon commenting on an article I quote earlier:

> ***The media bear a lot of blame for our stupidity***
>
> *Let's see, do I recall a series of articles in 2004 and 2005 about how foolish it was to be sitting on your home equity when you could be cashing it out and investing it in, well, MORE real estate! Yes, I believe I do. I remember gagging at the audacity of the financial retards in the pieces I read in newspapers and online who clucked over the ignorance of the boobs (like me) who let their home equity lie un-leveraged. Fortunately, my wife and I knew this was a pile of horse dung and burned the newspaper.* ●

THE TWIN DISASTERS: CALIFORNIA BURNING AND WALL STREET CHURNING

One crisis gets big coverage, the other is largely ignored

Disparities in coverage continued for months even after the media "discovered" the story and understood how important it is. By October of 2007, we finally began getting network news stories about growing income inequalities and debt issues. Yet, the gap between the reporting on this crisis and others was very apparent to me when the media went all out to document raging firestorms in California. I wrote about that this way:

New York, October 29: Two disasters side by side. Both involve a massive loss of people's homes. One is about California burning, the other about Wall Street churning. The one we saw on TV the most was not necessarily the most serious.

In one, the flames of out of control fires, perhaps, in a few instances, the work of firebugs, becomes a spectacle for wall-to-wall "BREAKING NEWS" coverage. There was around the clock helicopter shots and constant online webcam footage, as well as a visit by a President feigning concern and throwing money at the problem.

In the other, there are far fewer humanizing feature stories along with a great deal of dry and arcane business section commentaries. TV crews are not going live to the neighborhoods facing massive foreclosures or investigating the "mortgage bugs" who profited from the far less visible subprime fraud disaster. There are no webcams with time-lapse photography chronicling the decline of neighborhoods as homeowners default on unaffordable loans.

The President is not speaking at photo-ops on Wall Street to denounce the investment banks and hedge fund financiers responsible for losing billions, plunging the country into a recession and upsetting the world financial system. Both stories are dramatic – and both have led to suffering. The forest fires have claimed lives, including several immigrants, as of Friday. "I imagine we will be finding bodies into next year," Sgt. Mike Radovich of the San Diego Sheriff's Department told the New York Times.

In all, 1800 homes were destroyed in California as of Friday. A half a million acres had been consumed. Those responsible for containing the damage blamed the weather in the short-term and climate change in the long-term, as well as earlier fire-fighting techniques. This disaster is expected to cost $1 billion dollars.

There were reports that some of the relief helicopters had been grounded for bureaucratic reasons and worries that arsonists contributed to the conflagration. Some of the fires appeared to have been set intentionally.

Yet, intentional actions also drove the targeting of families in a pervasive subprime mortgage fraud that threatens to lead to far more homes lost, not 1800, but an estimated two and a half million. (The LA Times says foreclosures in California are at a record high. The third quarter's total surpasses 24,000, which is a record.) More homes are at risk in the fires that have yet to be contained.

It's hard to predict how many of these people will get sick or die because of psychological disorientation and homelessness. Many of them are poor, while those scarred by the fire lived largely in affluent communities. Which victims are getting the most positive media attention? That's a no-brainer. It's the suburbanites, not the urbanites, who are the most media-sympathetic.

Senator Chris Dodd, chairman of the Senate Banking Committee, characterized the subprime crisis as a "50 State Katrina." This disaster has already cost over a trillion dollars – maybe more. Meanwhile, President Bush used Katrina as a partisan political symbol, contrasting California's hands-on Republican Governor with the former Democratic Governor of Louisiana who he blamed for the weak response to that crisis. He declined to discuss questions comparing the federal response to both calamities.

"There are many factors that separate the chaos and death that swallowed New Orleans in the wake of Hurricane Katrina and the orderly evacuation and relatively minuscule loss of life in this week's wildfires," reported the Toronto Star. "In politics, image can sometimes trump substance, and that lesson appears to have been at the heart of the response of California Governor Arnold Schwarzenegger, who, in a dizzying schedule of events, has comforted victims, firefighters and the displaced and freed up the state's resources."

Of course, most of the media coverage has stayed with the "action" and pathos in the present, showing spectacular flaming forests like some 1960s light show, and then the aftermath with families in tears at the burned out shells of what were once their homes.

The coverage, however, asked few questions about who and what's behind this apocalypse now. Author Mike Davis, who has followed California fires and analyzes them in depth, adds a context that is missing in most of the reporting, writing:

"Exactly a decade ago, between Oct. 26 and Nov. 7, firestorms fanned by Santa Anas destroyed more than a thousand homes in Pasadena, Malibu, and Laguna Beach. In the last century, nearly half the great Southern California fires have occurred in October.

This time climate, ecology, and stupid urbanization have conspired to create the ingredients for one of the most perfect firestorms in history. Experts have seen it coming for months."

He dismisses the blame-the-arsonists-news frame in a piece on TomDispatch.com:

"This is a specter against which grand inquisitors and wars against terrorism are powerless to protect us. Moreover, many fire scientists dismiss 'ignition' — whether natural, accidental, or deliberate — as a relatively trivial factor in their equations. They study wildfire as an inevitable result of the accumulation of fuel mass. Given fuel, 'fire happens.'

The best preventive measure, of course, is to return to the native-Californian practice of regular, small-scale burning of old brush and chaparral. This is now textbook policy, but the suburbanization of the fire terrain makes it almost impossible to implement it on any adequate scale. Homeowners despise the temporary pollution of 'controlled burns' and local officials fear the legal consequences of escaped fires."

The scale of the "suburbanization of the fire terrain" in the last few years was immense. USA Today reported that more than 55,000 people moved to the neighborhoods that were affected since 2000. They are living in the epicenter of the fires. They were allowed to settle in the riskiest wildlife areas vulnerable to the types of firestorms we've seen. The real estate industry encouraged this settlement with support from local authorities. They knew the region was fire prone.

So, when you scratch the scorched surface of this newsy inferno you get deeper causes, a lack of planning and monitoring, not to mention inattention by government. Sound familiar?

These same deeper causes led to the runaway subprime scandal that has already caused losses in the trillions, and the clear complicity of leading banks that are seeking bailouts to cover up (and seek compensation) for their role in crimes that have triggered a global financial meltdown and a developing recession. Democrats charge that the Bush Administration is not acting on the crisis because of its fanatical free-market ideology.

Most of the world sees the US response to this second crisis as morally wrong because it bails out the people who caused it. They also denounce US hypocrisy because it ignores the advice that American officials heaped on Asia during its financial crisis.

William Pesek of Bloomberg News writes:

> *"Asians were berated for a lack of transparency. In the late 1990s, the US demanded that reserves figures be published and that clear lines be drawn between governments and private sectors. In the US, dubious mortgage products were sold, repackaged and resold with negligible transparency, while ratings companies approved of the process. The government and the Fed just stood by....*

None of this is to defend the economic systems that led to the Asian crisis. Yet now, the US is at the center of what Nouriel Roubini, chairman of Roubini Global Economics LLC in New York, calls the 'first crisis of financial globalization and securitization'. And what is the US doing? Playing a role in hypocritically bailing out those who should have known better."

In short, this still unfolding episode of self-inflicted disaster capitalism take us not only to the realm of irresponsible financial policies but to other parallels, like the War in Iraq suggests Lewis Lapham in Harpers: "I was struck by the resemblances between the speculation floated on the guarantee of easy money on Wall Street and the one puffed up in the premiere of an easy victory in Iraq."

He compares the subprime NINJA (No Income, No Jobs, No Assets) LOANS in the US to "freedom loving" Sheiks in Iraq, and the NEUTRON LOAN that removes occupants but leaves the property intact to the massive displacement of people by the tens of thousands in Baghdad. He also notes that the TEASER LOAN that gets people in mortgages at a low rate and quickly escalates to the rising costs of the war which was "originally priced" at $50 billion and is now estimated at $2 trilllion.

This is a brilliant comparative analysis that shows how the suspension of reality by politicians or bankers has the same result: misery for millions.

So by all means let's be supportive towards the fire victims who have lost their homes in California's "natural" disaster, but we should do so without forgetting the millions of Americans who will soon lose their homes and their economic stability, thanks to Wall Street's man-made storm. Unfortunately most Americans and most progressives seem to be in denial about the economic disaster we are facing. ●

THE SECRET LANGUAGE OF FINANCE AND THE WORDS WE NEED TO KNOW

There is a secret internal language involved in this scandal, which most experts and most journalists don't have the tools to comprehend, much less explain. At the risk of contributing to the MEGO (My Eyes Glaze Over) EFFECT that we in TV were taught to avoid in all stories, let me cite one such paragraph from Noriel Roubani's financial blog – RGE Monitor – explaining what was happening on Wall Street one day in August.

> *"First, you take a bunch of shaky and risky sub prime mortgages and repackage them into residential mortgage backed securities (RMBS); then you repackage these RMBS in different (equity, mezzanine, senior) tranches of cash CDOs that receive a misleading investment grade rating by the credit rating agencies; then you create synthetic CDOs out of the same underlying RMBS; then you create CDOs of CDOs (or squared CDOs) out of these CDOs; and then you create CDOs of CDOs of CDOs (or cubed CDOs) out of the same murky securities; then you stuff some of these RMBS and CDO tranches into SIV (structured investment vehicles) or into ABCP (Asset Backed Commercial Paper) or into money market funds. Then no wonder that eventually people panic and run – as they did yesterday – on an apparently "safe" money market fund such as Sentinel. That "toxic waste" of unpriceable and uncertain junk and zombie corpses is now emerging in the most unlikely places in the financial markets?"*

If you found your mind drifting in reading that, you were not alone. Sometimes words and nicknames are chosen only to be understood by insiders, whether in finance or in the military.

Here are just some of the terms I needed help understanding and found in just two articles. Is it any wonder that most of the public turns away from this type of dense language and often-esoteric references? Only the real players understand these terms. Perhaps that's why one investment banker was quoted as saying that playing the market without being a specialist is like a farmer buying a cow at midnight on dark night. Writer Lewis Lapham drew parallels between some of these acronyms to the language used to obscure the war in Iraq in Harpers in November 2007

SOME OF THE WORDS WE NEED TO KNOW (A VERY INCOMPLETE LIST)

repackaged loans
subprime loans
"no-doc" loans
adjustable rate mortgage interest rate adjustment (ARM) loans
asset backed securities
mortgage-backed securities closed-end second-lien loans,
subprime second-lien loans,
alternative-A (Alt-A) mortgage loans
piggyback loans
asset-backed commercial paper (ABCP)
CDO- *collateralized debt obligations*
Cubed CDOs
Speculators
Arbitrage
Leverage
The rise in credit derivatives
Regulatory Oversight
SEC
Investor
Investment Bank
Investment Broker
Transparent
Pension Funds
CD
U.S. Treasury bonds
Financial Instruments
AAA+ Ratings
Rating Services
BBB-
A pool of risky mortgage loans
Slices
Culpability
Tranches
25 standard deviation events
asset bubbles
The opacity of financial markets
Fat tail events

LTCM debacle
Hedge Funds
Delinquencies
Near prime and prime lenders
Mis-rating of new instruments
SIV (structured investment vehicles)
Residential mortgage backed securities (RMBS)

A MINSKY MOMENT

Oh yes, what can all this add up to. Translation please, Mr. Roubani:

> *"So combine an opaque and unregulated global financial system where moderate levels of leverage by individual investors pile up into leverage ratios of 100 plus; and add to this toxic mix investments in the most uncertain, obscure, misrated, mispriced, complex, esoteric credit derivatives (CDOs of CDOs of CDOs and the entire other alphabet of credit instruments) that no investor can properly price; then you have created a financial monster that eventually leads to uncertainty, panic, market seizure, liquidity crunch, credit crunch, systemic risk and economic hard landing."*

There you have it. ●

CAN THE FOXES SAVE THE HEN HOUSE?

Fox's new Business News Channel seeks to rescue corporate America

October 16: The FOX has come back to guard the hen house. But if history is any guide, the hens and the chickens will not be too welcoming.

The arrival of the Fox Business News channel is to its backers comparable to the cavalry coming over the hill to save the business world, if not the capitalist system, from detractors if not from itself. Whereas Jesus sought to drive the moneychangers from the Temple, Fox's Roger Ailes has his sights on those subversive "liberals" who have wormed their way into posing as friends of the business world on CNBC. He has vowed to blow them away.

CNBC's owner General Electric, a company known for its corporate conservatism, and its past patronage of Ronald Reagan, has to be amused to find itself on Rupert Murdoch's enemies list. Speaking of CNBC, Murdoch sounded like the Grinch of Christmas past in hinting but never really spelling out his agenda.

A British outlet quotes him. "They dwell too much on failures or scandals," Murdoch said last week. "We don't get up every morning thinking business is bad," said Ailes. "Many times I've seen things on CNBC where they are not as friendly to corporations and profits as they should be."

Roger Ailes is a right-wing Republican street fighter who has been repositioned for this task. He is downplaying his hardcore GOP Bushevik ideology to recast himself as a self-styled populist, the champion of the little people, fueled with a war chest of $300 million from the evil empire run by the shadowy and Orwellian named News Corporation.

Ironically, on the same day that Fox took to air, one of the institutions Murdoch seems to admire, the Chinese Communist Party (CCP), opened its Congress in Beijing with its own plan for politically correct capitalism. They too are purging their liberals. What symmetry! (Hu may be on first but Rupert is pitching.)

Back in New York, on Wall Street, the credit crisis just won't go away with a new wave of major defaults on loans, banks reporting billions in write downs and losses and fresh warnings from the

Chairman of the Federal Reserve Bank that the economic slowdown is here. An economist at Goldman Sachs dismissed a new plan by three big banks and the Treasury Department to “calm debts in housing” as a “P.R. move.” PR for business is at the heart of the Fox Biz mission.

On top of that, some of the people who Ailes hopes to champion and convert into viewers are out protesting against predatory lenders and boycotting Countrywide Financial, the nation's largest lender and mortgage servicer. In some parts of the country, the partisan war is giving way to a new type of debt-driven class war of borrowers fighting lenders.

In other words, the business arena is a lot messier and more complex than the political arena which Fox News was able to polarize with simplistic pro-war slogans, personality baiting and and us versus them patriotically-correct deception. A mechanistic pro-business versus anti-business frame is not the same and is not going to work.

That's why Roger has paid more attention to sizzle than steak with a new stable of foxy presenters aimed more at the eye than the head. Snazzy graphics, hot colors, and special music is complemented by “conversational” anchors who round out (or is it “curve out?”) the carefully thought out packaging. At least one show will come from a bar. After all, he is competing against sexy “money honeys” like CNBC's Maria Bartiromo.

TV can’t be all slogans and flag waving – a reality that many Fox critics miss by just focusing on what is said and not on the attitudes and look that drive Fox’s audience-friendly media environment.

One of his big problems is a changing mood in a country that does not share the upbeat pro-business optimism that pours like a nightly sermon out of the mouths of Fox anchor Neil Cavuto and clones. (Ultimately, Fox Business may be more of a religious channel than a news outlet with its faith-based approach.)

They are competing with more on TV and in the popular culture than CNBC or Bloomberg. CSI Miami recently worked the practices of abusive credit card companies into a primetime drama. A correspondent who saw it told me, “while highly dramatized to be sure, the message was pretty clear – ‘beware the credit card industry/offers young people!’ Capital One ads were oddly absent during the show. The episode was entitled 'Bang, Bang, Your Debt,' and is available for viewing in full on Innertube." Check out the new George Clooney flick, Michael Clayton, for a tale of more corporate perfidy.

This is all taking place in a climate of growing pessimism about our economy and business – attitudes that run contrary to the gung-ho optimism that Fox projects and which infects self-defined conservatives and liberals alike.

Gary Younge of the Guardian has reported on a deeper shift in American attitudes that perhaps he can see more clearly as a foreigner:

> *This sense of optimism has been in retreat in almost every sense over the past few years. According to Rasmussen polls, just 21% of Americans believe the country is on the right track, a figure that has fallen by more than a half since the presidential election of 2004. Meanwhile only a third think the country's best days are yet to come, as opposed to 43% who believe they have come and gone – again a steep decline on three years ago. These are not one-offs. In the past 18 months almost every poll that has asked Americans about their country's direction has produced among the most pessimistic responses on record – a more extended period than anyone can remember since Watergate.*

America, in short, is in a deep funk. Far from feeling hopeful, it appears fearful of the outside world and despondent about its own future. Not only do most believe tomorrow will be worse than today, they also feel that there is little that can be done about it.

And one main reason is that Americans are hurting in their pocketbooks as well as their souls, as he explains:

> *Closest to home is the economy. Wages are stagnant, house prices in most areas have stalled or are falling, the dollar is plunging, and the deficit is rising. A Pew survey last week showed that 72% believe the economy is either "only fair" or poor and 76% believe it will be the same or worse a year from now. Globalization is a major worry...*

Corporate-friendly Fox Business is not speaking to this sense of despair as real populists would, and perhaps like the Libertarian

Ron Paul and some of the Democratic challengers, are. And by the way, the rich high CPM (Cost per thousand) viewers at CNBC are also on the defensive, nervous, worried, scared, and maybe even panicked.

This is a time for economic truth, justice and change, a focus on remedying the crimes of institutions, not the flaws of personalities. Who needs more inane business chatter on the ups and downs or markets, or even the posturing ploys of populist posers who pretend at anti-elitism with the money bags of moguls behind them? ●

CHAPTER 3

Tracking the Crisis: Blogs, Newsletters and Articles

During the summer of 2007, as the sub prime mortgage moved from the business pages to the front pages, it was clear that the press and the financial industry had failed to anticipate the problem. The people trying to call attention to the crisis were ignored. Among them: advocates for victims of predatory practices. In this period, apart from my News Dissector blog on Mediachannel.org, I wrote a weekly newsletter on credit and debt on the issues for the Stopthesqueeze.org website and published articles on a variety of other websites

A CALL TO FOCUS ON ECONOMIC ISSUES

This was written before the summer of 2007, the summer of market volatility when the subprime sector collapsed.

MAY 24: The mainstream AND indy media focus on every tick and burp in Washington assumes that the politicians are the real power – and often ignore the big money and corporate clout stage-managing the process.

Too many bloggers focus on the smoke and mirrors of politics as if it is a recreational sport or parlor game, taking polls too seriously and trends not seriously enough. There's still more of a obsession on the scandal of the day then the special interests in the wings—the people who are financing the politicians and orchestrating their maneuvers.

The political crisis engages the bashing brigade of message point polemicists on the right and left who both tend to ignore economic interests. They are the forces that are devastating the lives of so many Americans who have lost their jobs, can't pay their bills and are victimized by the growing inequality in our nation which does not seem to have become a political issue yet. No one's marching on the banks or Wall Street to demand economic justice.

Think of all the soldiers who join the military because the pay is better or they have no other choice. Think of all the poor Iraqis being killed by poor Americans who return to find themselves going even more deeply in debt. They are the ones being victimized by payday lenders whose signs advertising easy money line the boulevards outside military bases. Speak to military families and you will find that their lives are harder than ever.

And then meet the folks who are among the 2.1 million Americans on the verge of losing their homes because of the subprime loans they took at usurious rates in order to improve their lives by putting a nicer roof over the heads of their families. The companies that gave them the mortgages with no credit checks made small fortunes doing so but so overplayed their greedy practises that now some have lost billions and hurt the whole economy.

The federal regulators were absent without leave and, according to the Wall Street Journal, 52% of the loans were made by scores of predatory independent companies that are not regulated. As Alan Fishbein of the Consumer Federation of America put it, “Only when the market experienced losses and lenders started to shut their doors did real attention start to be paid to the issue.”

What we are seeing, according to Robin Blackburn in Counterpunch, is vicious and legitimated loan sharking. He writes:

> *“In recent times high-profile Wall Street investment banks have brought slick financial reasoning to the base art of loan-sharking. The most vulnerable Americans have been targeted for loans they can ill afford. Those with poor credit histories can be charged at double or treble the interest of a customer in good standing with the rating agencies.”*

The details of all of this money grubbing are now in the press which was also asleep at the switch and is just waking up to the impact that this crisis is having on working America. The story has finally moved from the business section to the news section, from page 50 to page l. Unless something is done, these headlines will lead to breadlines.

While some politicians are starting to talk about this crisis, you have to wonder what they are willing to do. If they won’t really challenge the Bush Administration on the war, even as the war and the President’s popularity sinks into the toilet, do they have the guts to take on the power of the big banks?

Knock, knock progressive bloggers and activists: let’s get on this issue like white on rice. (that’s not a racial allusion – a large percentage of the victims here are, predictably Americans of color.)

Knock, Knock MoveOn: I wrote to one of your decisionmakers who told me that this issue is not on a list of issues member said they care about. But the list was made last year. Guess what: this crisis that has long been warned about only just erupted! No one anticipated Katrina either.

Let’s expose the real power in this country – the economic engine driven by the financialization of consumerism that sells us what we don’t need and lends us what we can’t pay back. As we fight the military and industrial complex, let’s not ignore the credit and loan complex.

Last week, in a story about mounting foreclosures, the Journal noted that most of us need not worry about the problem, which translated, means that the upper class and parts of the middle class can ride out the crisis. That struck one of the readers of the News Dissector blog on Mediachannel.org as amusing. Faith Carr wrote:

> *"My family was ahead of the curve on this insanity. After a job loss, losing our home, and the bankruptcy before the legislation change, we are living humbly in a 27 year old trailer in the country. Just wait until those making 100K + have one tiny little bubble in their lives. Gonna fall like the house of cards it is."* ●

THE NEW YORK TIMES LOOKS BACK

The New York Times admitted it missed the story at the end of the summer of 2007:

> *"As far back as 2001, advocates for low-income homeowners had argued that mortgage providers were making loans to borrowers without regard to their ability to repay. Many could not even scrape together the money for a down payment and were being approved with little or no documentation of their income or assets.*
>
> *In December (2006), the first sub prime lenders started failing as more borrowers began falling behind on payments, often shortly after they received the loans. And in February, HSBC, the large British bank, set aside $1.76 billion because of problems in its American sub prime lending business.*
>
> *Over the last two weeks, this slowly building wave became a tsunami in the global financial markets."*

I had been writing on this issue, even using the term tsunami for weeks before the Times woke up. As I began to write regularly on the crisis with weekly blogs and frequent essays, I was surprised to find that these issues were not getting the attention they deserved in leading media outlets.

Here are some of my reports, newsletters and commentaries. They chronicle the unfolding problems and are hardly a claim that I was smart while others weren't. The signs were there, but many eyes were closed because they were looking elsewhere – at all the money they and others were making.

To its credit, the Times story acknowledged the greed factor without calling it that:

> *"The cast of characters who missed signals like the rise of delinquencies and foreclosures is becoming easier to identify. They include investment banks happy to sell risky but lucrative mortgage debt to hedge funds hungry for high interest payments, bond rating agencies willing to hope for the best in the housing market and provide sterling credit appraisals to debt issuers, and sub prime mortgage brokers addicted to high sales volumes.*

What is more, some of these players now find themselves in a dual role as both enabler and victim, like the legions of individual borrowers who were convinced that their homes could only keep rising in value and were confident that they could afford to stretch for the biggest mortgage possible." ●

AUGUST 1: STOP THE SQUEEZE NEWSLETTER

Last week, the stock market was up, up and away, hitting 14000. The American economy was riding high and my fears about the debt bubble seemed to many to be exaggerated if not misplaced. But remember what the very first person I interview in my film says: "What goes up, must comes down."

And, sure enough, AP reported:

> *"NEW YORK (AP) – Wall Street suffered one of its worst losses of 2007 Thursday, leading a global stock market plunge as investors succumbed to months of worry about the mortgage and corporate lending markets. The Dow Jones industrials closed down more than 310 points after earlier skidding nearly 450.??Investors who had been able for months to largely shrug off discomfort about sub prime mortgage problems and a more difficult environment for corporate borrowing finally decided it was time to sell after the Commerce Department issued another disappointing home sales report."*

When I started making the film ***In Debt We Trust*** I thought I was just making a film about consumer credit issues. I didn't really understand and am still learning about how credit and debt issues relate to much larger forces, if not the whole global economy.

I didn't appreciate how abuses that impacted one group, and of course benefited others, could mushroom into a crisis that would rock the whole system.

I wanted to focus on the pain of Americans because so many activists had defined the debt problem as something that only impacted Africans and the third world. For years, the World Bank and IMF have been targeted (correctly in my view) for taking advantage of poor people in poor countries.

But then I saw our own financial institutions, some regulated, many not, were targeting poor and working people who wanted to better their lives and buy new homes. Some wanted to be part of what President Bush was touting as the "ownership society."

And along came the sub prime loans, which appeared at first as a reform, a way for people without credit to pay a little more and get a mortgage they might not otherwise qualify for.

Appearances, however, are deceptive. Soon, small companies and then humongous banks saw an opportunity to get even richer by bundling and repackaging these loans and started shoving out money and then selling paper into so-called securitization trusts or CDOs. These instruments were then used to finance all kinds of business transactions including acquisitions by powerful private equity firms..

The middle men in these deals were making a fortune but it was all based on what was once called JUNK ... bad credit funded bad deals and bang – smooth sailing turned into quicksand. Soon unheard warnings had led to a full-fledged crisis. ●

STOP KILLING KIDS SOFTLY WITH LOAN RIP-OFFS

The tragic shooting massacre on the campus of Virginia Tech in the spring of 2007 is being discussed and debated intensely on every media outlet. At this writing, there are more questions than answers and it seems as if American society produces these "lone gunmen" with increasing frequency.

For years, students killing students has been a national epidemic at the high school level with inadequate intervention. I did a story for ABC News decades ago on the more than 300 students who died from gun violence in inner-city Detroit in just one year.

Shoulders were shrugged, tears were shed and little was done. They were indifferently written off as ghetto victims. The epidemic of killing went on, sometimes even celebrated by gangsta rap songs or encouraged in TV, in a spasm of kill-kill-kill TV and movie violence.

And now this shocking event has elicited shock from none other than President Bush, whose Iraq War has produced a daily carnival of violence, murder and mayhem. Yes, there is a relationship because killing seems to be an approved way of solving problems and expressing our political ideas.

But that's not what I am writing about. There will be no shortage of pundits rationalizing the easy availability of guns or trying to minimize the larger implications of this crisis.

Students are being targeted on campuses in other ways that have also been approved of at the highest levels. In the spirit of Roberta Flack's song "Killing Me Softly," the daily damage is being done with a fountain pen – or a computer program – not a weapon.

I am talking about they way student loans have become a noose around the necks of a whole generation of students, making our colleges and universities likely sets for the next edition of one of those crime scene shows.

In collision: the quest for higher education and the quest by self-interested lenders for higher profits in an 85 billion dollar student loan industry.

What's coming out now is a nest of corruption in the very institutions that have set themselves up as moral exemplars and educators. An investigation in the State of New York – and where's the FBI on this with a national probe – has found lenders dishing out all kinds of cash to self-styled educators in the form of illegal kickbacks, referral fees, gifts, trips and other goodies. As some individuals take payoffs, students have to increase their payouts. New York State is cracking down.

You know there is more to this by the way lenders are rushing to settle various complaints to avoid criminal charges. Anya Kamenetz writes on Huffington Post:

> *"Student lenders pay various kickbacks to financial aid offices to drive business their way, rather than negotiate the best deals for students. With barely a few letters sent, six schools have agreed to repay students $3.27 million on private loans, while Citibank, one of the largest student lenders, is paying $2 million into a financial education fund.*
>
> *No one is admitting any wrongdoing. But cash speaks louder than words. $5 million, in an $85 billion industry, is a small price to pay to deflect further scrutiny of the obvious conflicts of interest inherent in this system. To take another example, lenders have been involved in marketing 'enrollment management' software to help financial aid offices allocate grant aid to the most attractive students, leaving needier students to borrow more."*

On Capitol Hill, the Washington Post reports:

> *"Of all the industries under attack on Capitol Hill – and there are plenty of them – the business of providing student loans is perhaps the most threatened.*
>
> *The private student loan industry and its leading company, Reston-based Sallie Mae, are battling against congressional Democrats and President Bush, both of whom would like to pare back the lenders' sizable federal* benefits."

As these investigations mount, Sallie Mae is also going private to make it harder for investigators to get at the full depths of their role in sleazy practices that have included working overtime to undermine cheaper federal loan programs with bribes and intimidation. Note the words "reduce public scrutiny" in the next paragraph.

The Washington Post reports:

> *"Sallie Mae, the nation's largest student loan company, announced* yesterday that it would be bought by a group of private investors in a $25 billion deal that could reduce public scrutiny of the lender at a time when the student loan industry is under siege.
>
> *The enormous deal underscores the potential for profit that Wall Street sees in the $85 billion-a-year student loan industry, even as Congress considers slashing billions of dollars in federal loan subsidies and an expanding nationwide probe reveals fresh conflicts of interest in the student lending world."*

Of course, two big banks are part of the deal, which is being financed – get this – with debt worth $16.8 billion. This corporate debt will finance mechanisms for getting students in debt. Who will try to stop this tendentious transaction?

There's more to these nefarious maneuvers reports the Cato Institute, a libertarian think tank:

> *"The chairman of the Senate education committee urged the Bush administration to block student loan companies from accessing a national database that holds confidential information on tens of millions of students," reports The Washington Post. "The request by Sen. Edward M. Kennedy (D-Mass.), came after The Washington Post reported on inappropriate searches of the database that could violate federal rules and raise concerns about data mining and abuses of privacy."*

And so, add spying to the list of other charges of practices that menace students and make their lives harder.

Student loans are only part of the problem, as I document in my film ***In Debt We Trust*** Students who lack experience in managing their money are easy targets for avaricious credit card companies. Together, the lenders and loan sharks are leaving students with an average of $20-30 thousand dollars in debt before they leave school at age 22. This means they cannot volunteer for public interest groups but have to get the best jobs they can top start paying back right away.

Talia Berman offers some reasons for why this is happening in Wire Tap Magazine:

> *"Student debt is climbing for three reasons: Interest rates have begun to rise, tuition is skyrocketing, and student aid programs are stuck in 2003.*
>
> *2006 has been the worst in history for government action against student borrowers. In February, President Bush rolled out the Deficit Reduction Act, which cut $12 billion in federal student aid money. Part of the plan includes a hike in interest rates on federal student loans and loans taken out by parents. The interest rate on Stafford Loans to students rose from 5.3 percent to 7.14 percent on existing loans and to 6.8 percent on new loans. Interest rates for Parent Loans for Undergraduate Students (PLUS) loans increased even more dramatically, from 6.1 to 7.4 percent on existing loans and to a whopping 8.5 percent on new loans."*

Students have to start fighting back to end practices that have been subsidized by billions of taxpayer dollars. The Campaign for College Affordability is calling on Congress to ease the debt burden on students and families by cutting student loan interest rates in half and making financial aid more effective by raising the minimum Pell Grant to $5,100.

This is an issue crying out for action while our nation cries for the innocent victims at Virginia Tech. Our campuses have to be physically secure, but also economically secure. We all have to learn more about this issue and start speaking out. One way might be to join up with other Americans who are crusading for debt relief at ***StopTheSqueeze.org.*** ●

THE SUB-PRIME CRISIS IS REALLY A "SUB-CRIME" CRISIS

it's time to investigate its causes, and prosecute its perpetrators

There comes a time when the frame of a news story changes. It happened in Iraq when the "war for Iraqi freedom" became seen as a bloody occupation, not a beneficent liberation. It is happening as the war on terror is increasingly perceived a war of error and when voting problems are reframed as electoral fraud.

And it will happen in the economic arena too when we see the "sub prime" credit crunch for what it is: a sub-crime ponzi scheme in which millions of people are losing their homes because of criminal and fraudulent tactics used by financial institutions that pose as respectable players in a highly rigged casino-like market system.

Suddenly, after years of denial and inattention, the press has discovered what they call "the credit crisis." Vague words like "woes" are still being used to mask a financial calamity that some analysts are already calling an apocalypse as lenders go under and the Stock Market melts downs.

A French bank froze billions, saying, "The complete evaporation of liquidity in certain market segments of the U.S. securitization market has made it impossible to value certain assets." Translation from the French: We are all in deep shit.

President Bush was asked about this at a press conference. He blamedborrowers for not understanding the documents they signed. If you have ever tried to read the documents banks prepare for mortgage closings, you will know that are written by risk-minimizing lawyers to be too long and dense to be understood. (Later in the day, the market reacted to his upbeat assessment by plunging once again.)

The financial insiders who watched were more than skeptical. Here are some quotes from a discussion on the ML-implode website. One of the discussants calls our fearless leader, "President Pumkinhead:"

> *"Why'd president pumpkinhead have a news conference in the morning? Probably hoping no one would see it and he wouldn't have to lie to as many people."*

Another described what he was watching with more than disbelief:

"He's being hit with a lot of questions on mortgages, credit crisis, and the economy ... and, of course, the economy is 'in for a soft landing', he's been assured by the treasury that 'there is plenty of liquidity', yadda-yadda-yadda.

But he is stumbling over his words more then usual, not making eye contact, not finishing his sentences ... and when he wonders a bit, he quickly goes back on script. It is very odd to watch, to say the least.

"Odd?" Not for him, but, of course, there more than one man to hold accountable. This is a deeper structural problem that implicates a whole industry and the "financialization" it promotes.. This crisis is an example of what goes around comes around as the companies that suspended their usual "standards" and "rules" and self-styled "due diligence" knowingly sucked money out of people with poor credit records and who now find their own companies imploding and collapsing worldwide.

Underscore that this was done deliberately, with forethought and malice, a well orchestrated plan to create armies of "suckers" and steal—yes, I said it—their monies to leverage even bigger deals. Their greed had no limits, until the scheme collapsed.

Behind it all were the so-called "Masters of the Universe," a. k.a. the Wise Men of Wall Street who worked behind the scenes to turn mortgage brokers and small lenders into part of what will one day be seen as a criminal network worthy of prosecution under the RICCO conspiracy laws used against the mob and drug dealers. Read this account from the Wall Street Journal:

"Lou Barnes, co-owner of a small Colorado mortgage bank called Boulder West Inc., has been in the mortgage business since the late 1970s. For most of that time, a borrower had to fully document his income. Lenders offered the first no-documentation loans in the mid-1990s, but for no more than 70% of the value of the house being purchased. A few years back, he says, that began to change as Wall Street investment banks and wholesalers demanded ever more mortgages from even the least creditworthy – or "sub prime" – customers.

"All of us felt the suction from Wall Street. One day you would get an email saying, 'We will buy no-doc loans at 95% loan-to-value,' and an old-timer like me had never seen one," says Mr. Barnes. "It wasn't long before the no-doc emails said 100%."

You don't read many accounts like this, of businessmen bashing Wall Street in the business press. Could it all have been stopped? Of course, if there were real regulators and rules protecting consumers and the public interest. And if there was a social movement that championed economic justice…

And also, if there were investigative journalists like the ones who just wrote a series on the "debacle" of the "debt bomb" in the Journal but after the collapse, not before.

And what do they admit now? That this is NOT just a sub prime problem but far more serious and global. They note that "credit problems once seen as isolated to a few mortgage-mortgage lenders are beginning to propagate across markets and borders in unpredicted ways and degrees. A system designed to distribute and absorb risk might, instead, have bred it, by making it so easy for investors to buy complex securities they didn't fully understand. And the interconnectedness of markets could mean that a sudden change in sentiment by investors in all sorts of markets could destabilize the financial system and hurt economic growth."

Will the rest of the media follow up and explain what is really going on?

This is very serious, but far too many progressives, activists and politicians alike haven't spoken out about this. When they seek a bailout, we should demand a "jailout."

Blogger Carolyn Baker writes, that we all must become more engaged with these issues saying she is:

"profoundly aware of the role of economic issues-perhaps more than militarism, healthcare, education, politics, or any other institution, in the dead-ahead demise of empire. I also notice that few in the left-liberal end of the political spectrum have a firm grasp on economic issues which I suspect comes from a fundamental polarization between activism and financial intelligence."

She writes about a book by a conservative named Michael

Panzner called “Financial Armageddon” criticizing his analysis as limited, and by extension, many of the left’s avoidance of these issues as well.

> *“What is most disturbing to me,” she writes, “about the book is what appears to be a total lack of perception regarding the role of fraud, theft, and malicious intent in the American and global financial train wreck which has been exacerbating over recent decades.”* ●

THE MORTGAGE CRISIS IS NOT JUST ABOUT ABUSE BUT CRIME

Borrowers and investors were targeted in global Ponzi scheme

What if NBC's "To Catch A Predator" program really did turn its sensationalistic gaze on predatory lenders? It would be consistent, wouldn't it, with all the true crime shows that dominate the airwaves? And they wouldn't have to comission new graphics or a title either.

You would think they would want to get ahead of the courts and the State Attorney Generals who will, hopefully, one day be prosecuting what I call the "Subcrime scandal." After all, it's a story with billions of dollars missing, millions of victims, and perhaps the whole global economy at stake.

It may never happen and not just because NBC's parent company GE is a big lender. It's more. because in-depth investigative journalism seems to have been displaced by all the celebrity pandering.

Stories like this don't just follow the money – a key axiom of reporting – but they are about money, and avoid the way big-time white collar crime works. They wrap themselves in the mantle of legality and legitimacy. These sleaze merchants in suits and big time investors routinely violate laws and then expect their master of the universe status to guarantee they will never get caught. A recent survey on Wall Street found a majority of those quizzed believe something is only wrong once you get caught.

THE ROGUE'S GALLERY

We have seen a whole rogue's galley of these corporate thiefs go down in recent years. We have read about the Enrons and the WorldComms and seen the perp walks of big time CEO's like Miliken and Kazlowski before they faced justice. They were not bailed out. They were jailed out.

Why not in this scandal? Part of the problem is you really do need subpoena power and teams of investigators and accountants to take apart their phony ledgers and deceptive sales spiels. In the Bush years, tax cuts are going to the rich while the IRS is browbeating the middle class. Many of the people who should be investigating the mortgage criminals have themselves taken money from real estate lobbies and financial institutions or been working for the industry in some way. (Journalist David Sirota's blog noted in late October 2007:

"Donations plentiful to candidates in midst of possible predatory lending regulation ... Payday lenders have given nearly $64,000 to the 2008 candidates for president, with a vast majority of that going to Democrats, many of whom have accused the industry of unfair lending practices ... Democratic presidential candidates Hillary Clinton, a U.S. senator from New York, and New Mexico Gov. Bill Richardson each has received more than $22,000 from payday lending sources, more than any other candidates during the campaign.") We saw how Democrats, for example, caved on the so-called bankruptcy reform bill.

It's not so hard to get a handle on the story. Start with some of the disgruntled employees of those mortgage companies who were just dumped from some of the best paying jobs in their lives after the companies imploded because of their own shady practices. Many are ready to talk if only to expunge their own consciences. The rats are off the sinking ship and will say how leaky it was.

STEALING PEOPLE'S HOMES

There are frauds to be found an every level including mortgage servicing frauds that are designed to steal people's homes.

A Real Estate expert explained this to me this way:

"Not too many years ago, if you borrowed money to buy a house or a car, you visited your local bank. Assuming you were approved, the money came from your bank and the follow-up (the "servicing") was handled by that same bank. If you had a problem, you knew who you could speak with and where to find him or her. The system worked pretty well. But only greed could cause a seemingly good system to go awry. And the heart of all greediness is Wall Street, of course.

"Realizing that these loans were a good investment for the banks, Wall Street decided to figure out how to take a piece of the pie. And hence the mortgage backed security was born. By buying in bulk various mortgage loans, Wall Street could take the role (and

the lion's share of the profits) of the bank without the inconvenience of opening branches."

My source continues:

"Banks, in turn, could keep lending endlessly, just as long as they kept refilling the pot by selling off the old loans and lending anew. And just to give you that homespun feeling (and to earn the banks a few extra dollars) your local bank would continue collecting your payments and forwarding them on each month – essentially lending a familiar brand name and adding a warm and fuzzy feeling to this anonymous multi billion dollar Wall Street enterprise."

It all seemed well enough – invisible, in fact – until the horror stories that have recently begun to emerge. And more are coming. Behind the wall lurks an empire of greed mixed with incompetence and lack of concern. And why should you care? Because every loan you take out – car loans, mortgages, personal loans – might very soon belong to someone else, located thousand of miles away from you and sometimes with the very worst of intentions. Your local banker will now make his decision not based upon his or her own criteria but based upon his ability to sell your loan to someone else. And if those anonymous loan-buying monoliths decide that they are no longer enamored with, for example, your type of small business loans, or mortgages in certain neighborhoods ...well you might be out of luck no matter how stellar your payment history or credible your need."

Adds the website www.MSFraud.org:

"These are not "predatory lenders." *These companies do not loan money. They operate in the lending industry after-the-fact. They take on a function that a lender doesn't want – the backroom functions of handling payments, escrow accounts, annual statements, dealing with borrowers, collections, etc. The perpetrators of the loan servicing scam acquire the servicing rights to loans that other companies have already made. (Loans that were deliberately constructed by predatory lenders are ideal for processing through servicers that specialize in aggressive collections or rapid foreclosure processing, but the loan servicing scam can be operated against any mortgage loan if the servicer acquires the rights from the lender.)"*

My “deep throat” has more:

“But it gets worse. For those lucky enough to be granted the loan for which they have applied, the selling off of that loan means that other people are now in control of their financial destiny. And these loan purchasers have a profit motive that has little to do with winning your repeat business. They don’t even want to know you. These loan buyers are divided up into two parts, known as the the “A” and the “B” piece buyers. The “A” buyers are generally anonymous investors with little interest in the day to day affairs of lending money. They get a lower return in exchange for their “safe” senior position. The “B” piece buyers (also known as the “Special Servicers”) are the high rollers, the high-yield profiteers. They are predators. And they are a very big part of what is terribly wrong with this equation. Loan documents are slowly being tailored to their needs, to include new fees and charges and rights in the so-called fine print. The more onerous the terms, the greater the opportunity to profit from the unsuspecting borrower. “

These practices were common, even pervasive in industry where every scam and shceme is carefully thought out. In some states, State Attorney General are going after some brand name firms like Ameriquest. You may remember them from their superbowl ads legitimizing their practices. They are now out of business, gone, busted, and sold to CitiBank. But there are still legal settlements being imposed on them

THE AMERIQUST SCAM

Example: A $295 million Settlement Fund has been established to provide restitution payments to certain Ameriquest borrowers.

This Web site provides information about the States’ January 2006 settlement with Ameriquest Mortgage Company (the “Settlement”). On this Web site you will find detailed information about the Settlement and who may be eligible to receive restitution payments, as well as answers to frequently asked questions.

http://www.ameriquestmultistatesettlement.com/

WE NEED TO HEAR FROM THE VICTIMS

They include the people who thought they were getting something for nothing and thought they were scamming the lenders. (That's like the casino gamblers who always think they will beat the house, but rarely do), We need to read the stories of the scammers who are literally stealing peoples homes. Please see an excellent series in the Chicago Tribune about their perfidy.

http://www.chicagotribune.com/news/specials/broadband/chi-mortgagefraud,0,1052574.htmlstory?coll=chi-news-hed

According to writer Alan Gabor, the number of people suckered into subprime loans may number as many as ten million. And these people are pissed and want to be heard but the business press is barely touching the surface of their stories.

"Those ten million families who finally got that home loan through the sub prime market makers on Wall Street who hawk junk bonds just as quickly as they can hawk junk mortgages, a product which has already developed into a multi-trillion dollar a year trading market, are all having a difficult time sleeping at night.

GOING UNDERGROUND

While the debacle continues to unfold, millions of homeowners may never again obtain credit in this country, impacting the economy for a long time to come…perhaps as long as a decade.

Those damaged borrowers are thoroughly fed up and sick and tired of the government, the banking system, and the crooks on Wall Street who keep sucking the lifeblood out of America's economy. They want nothing more to do with debt, bankers, Wall Street or even the American government. They simply drop out and go into the underground economy. And the powers that be can do nothing about it. When you have more than 10 million people with bad credit defaulting on loans over a two year period you have some serious problems on the horizon for the global economy." ●

BATTLING IN THE COURTS AND AGAINST THE COURTS

And let's hear from the people who fought back and found the Courts working in collusion with lenders and helping them foreclose on their property even when they don't own it. Listen to people like Jack Wright of Dallas, Texas, who tells his whole story on the Msfraud.com website:

> *"In April 1997, I was alleged to be in default on my mortgage and the mortgage company, claiming to be the true party in interest (the owner/holder), was going to foreclose.*
>
> *"I was not in default and had all the documents to prove it. After one year of the mortgage company's refusal to correct their accounting errors, I was forced to file a law suit to protect my home from an illegal foreclosure.*
>
> *"For the next seven (7) years (costing me more than $2 million in legal expenses and lost wages), I watched the court[s] repeatedly grant judgments in favor of the mortgage companies. These errant judgments were granted without either mortgage company presenting a scintilla of evidence to support their allegations and in stark contrast to my preponderance of evidence and material facts."*
>
> In the end he lost his home and can't afford to fight any more in the courts. There are many sad and depressing stories like this that will anger the public if and when they hear them.

RIPPING OFF INVESTORS

These scammers targeted their own class and community. Henry K. Lieu writes on Asia Times On Line charging many investors were defrauded because these corrupt practices were never disclosed;

> *"It is now clear that material information about the true condition of the financial system along with material information of the financial health of major US banks and their financial-company clients has been systemically withheld, over long periods and even after the crisis broke, from the investing public who were encouraged to buy and hold even at a time when they should have really been advised to sell to preserve their hard-earned*

wealth. The aim of this charade has not been to enhance the return on the public's investment, but to exploit the public trust to shore up a declining market and postpone the inevitable demise of wayward institutions."

Who are these "wayward institutions?" We are talking about some big, well-known institutions, brand name banks and investment firms, the hoi paloi of Wall Street. Many were deeply implicated along with the regulators and rating services who did nothing and, in effect, colluded with and covered up criminal ponzi schemes and worse.

UNIVERSITIES HELPED THE SCAMMERS TOO

On campuses, professors and students are speaking out against sweetheart deals between the universities and credit card companies that gouge the students. Says In Debt We Trust editorial advisor Robert Manning in Business Week:

"Universities are pursuing sweetheart deals with credit card companies, and offering up premiere marketing locations and student names and addresses for a big profit," says Manning, director of the Center for Consumer Financial Services at the Rochester Institute of Technology. "It's a clear conflict of interest."

http://www.businessweek.com/bwdaily/dnflash/content/sep2007/db2007095_053822.htm?chan=top+news_top+news+index_businessweek+exclusives

A TIME TO ACT

This is just the tip of the iceberg. There are so many stories and so many cases. Once they start getting attention, this story will broaden out, and we will see a much deeper rot in the system itself.

It is then that we can begin to fight for debt relief including a moratorium on foreclosures and the criminal prosecution of the profiteers. This time it is the big fish who could fry.

It will only happen when an enraged public demands justice. ●

NEWSLETTER: AUGUST 18

Sometimes you just can't make this stuff up or decode it. As you and everyone know, the debt problem has flamed into a major issue threatening the financial system worldwide, and our own economy. Lenders – the people most have us have been complaining about – because of their predatory practices and abuses of consumers seem to finally getting some payback in the form of falling markets, imploding companies, and bankruptcies.

Even they are having a hard time making sense of what's happening because it's so volatile. Last week ended with crazy ups and downs in the stock market with the Federal Bank easing rates for banks, but not for the general public. That maneuver seemed to have worked in that it was a sign that the FED was doing something. It's weird that these super-rational financial wonks act as emotionally as they do. The Federal Reserve Board said it was acting to "promote the restoration of orderly conditions in financial markets."

The Washington Post added that The Federal Reserve …said for the first time that it viewed turmoil in financial markets as a major risk to the U.S. economy. (The day before, The NY Times reported that the Treasury Secretary didn't feel he needed to say or do anything." Maybe The Fed Chairman saw how he saw how stupid that looked?)

The NY Times' take on the issue added a class spin suggesting that the Fed acted NOT because poor and working class people were losing their homes but because rich people were now having trouble getting mortgages.

> *"The Fed, while not yet cutting a rate that wields more influence over the economy, moved to stimulate lending in part because it recognized that even well-to-do families with good credit ratings were having difficulty getting mortgages."*

Underscore those words: "even well-to-do families…."

How will this symbolic measure likely impact on the rest of us? The answer is NOT encouraging:

"Markets should not be calmed by this tactic," wrote Carl Weinberg,

chief economist for High Frequency Economics. "This move is not going to provide any relief to the overall economy." Said another commentator: "The Fed is in a tight box, and anytime they do move the markets react violently one way or the other (or both!). Calm will arrive, but it won't be today."

In the meantime, Wall Street has taken out its begging bowl and asking the Fed to help and help is on the way. FORTUNE Magazine reports:

> *"Wall Street loves to talk about letting financial markets weed out the weak. But when the Street itself gets in trouble, it sticks out its little tin cup, asking for help. And gets it.*
>
> *"The market-mortgage-market meltdown is a classic example of the way small fry get devoured, but the whales of Wall Street get rescued. Here's the deal: People with crummy credit who took out mortgages are being allowed to fail in record numbers. The mortgage companies that made those loans are being allowed to fail.*
>
> *"The Street itself? It's bailout city. Even before the Fed made a symbolic half-point cut in the discount rate, it and other central banks from Switzerland to Singapore were trying to rescue the Street by injecting hundreds of billions of dollars into the financial markets and announcing they will put up more, if needed.*
>
> *"Hello? If you believe in markets - which I do - this rescue is especially galling, because Wall Street enabled this mess in the first place?"*

How? It is complicated and if you have the time and appetite for a good explainer, check this one on SALON.COM

http://www.salon.com/tech/feature/2007/08/17/wall_street_panic/index1.ht

A reader wrote to the Wall Street Journal challenging their tendency to emphasize the positive:

> *"Things will get worse before they get better... This is a house of cards that our leaders are trying to segment. It isn't a sub prime problem, it isn't a foreclosure problem, it isn't a mortgage problem, a bond market problem, a hedge fund problem, or a bank problem...This is a full systematic collapse of our economy.... The*

problems are masked and hidden throughout every layer of our economy ... being too slow to react will only compound this problem as it builds momentum ... We have no idea how bad this is really going to get..."

TIME: "MAD SCIENTISTS BLOW UP THE LAB AGAIN"

In fact TIME magazine says this problem has been created by Wall Street's MAD SCIENTISTS, as if we are living in a horror movie:

"Looks like Wall Street's mad scientists have blown up the lab again. The sub prime mess that is cutting so wide a swath through financial markets can be traced to the alchemy of creating collateralized debt obligations (CDOs) compounded by the enormous amount of leverage applied by big hedge funds. CDOs are derivatives – synthetic financial instruments derived from another asset."

Can you make out this gobbledygook? What it means is that while many Americans were pursuing their dreams, the financiers were coming up with new schemes to take your money and make more with it. In fact, Wall Street firms had engineered the financial instruments and securitization strategies that fueled the boom that was very, very good to them. ●

"CONTAGION" COULD LEAD TO A FINANCIAL TSUNAMI

Explosions, implosions and the recession around the corner

Last week there was panic in the streets of New York after a steam pipe exploded in mid-Manhattan. One person died, another is in coma, but the real fear is that asbestos belched into the air could eventually have a deadly effect on many more people like it did at the World Trade Center in the aftermath of 911. In that event, city officials like Rudy Giuliani did not insist on protective clothing and safety rules. Thousands of rescue workers are still dying.

This time the city responded more swiftly with clean up crews in space suits. The cause of the explosion was determined to be buried beneath the surface in an ageing infrastructure which only gets tended to AFTER highly visible accidents occur, rarely before. The public, initially worried about the presence of terrorists, appears to have relaxed when the culprit was identified as an old pipe. New Yorkers are a hearty lot and the saying "shit happens" is commonplace.

Yet the real danger may not be explosions in the center of town, but "implosions" on Wall Street. The former can be covered easily because they are localized; the latter spread globally and seem harder to track.

The press was all over the mayhem in midtown right on their doorstep but down the Island, in the downtown financial district, another shit storm is building steam although this one is hard for most people to decode. That is, unless they follow the business news closely and understand arcane terms like "securitization" That describes a financial instrument in which mortgage money, often invested by poor people in sub prime loans is recycled by Wall Street firms and turned into leverage used to finance all of these buyouts we have been hearing about.

Armies of too clever by-a half money managers had been making a fortune on all of this with practices that are now being characterized as "outright fraud" by none other than Ben Benanke, Chairman of the Federal Reserve. Most of their wheeling and dealing flew under radar of public scrutiny with the press bolstering the rise of the stock market without examining the precarious "infrastructure" under that street, also known as THE STREET.

Then, as predicted but at first downplayed, the bubble began to burst. Suddenly, it was not just poor people to be blamed for being financially irresponsible – even as two million families face foreclosures of their homes – but the whole financial industry itself.

WALL STREET IS FAR MORE CULPABLE THAN MAIN STREET

Last week, Credit Suisse, predicted a big stock market fall in 6 months because securities are overvalued. The Fed warned of l00 Billion in credit losses. The Guardian reported, "Some analysts said they feared a broader credit crunch if a collapse in confidence in the US mortgage market rippled out to other parts of the debt markets." A NY Post article suggested that over two trillion dollars is at risk. Of course, all of this is speculative but as they say, when there is smoke in high places, fire can't be far behind.

Last Saturday, the New York Times reported, "Anxiety over securities backed by risky mortgage and rising interest rates has roiled the credit market for several moths. Now the CONTAGION (caps mine) from those troubles seems to be spreading into other parts of the marketplace."

Terms like "roiled" and "contagion" are insider words for a spreading panic Writing on Money And Markets.com, Mike Larson declares "IT'S ALL HITTING THE FAN. (http://www.moneyandmarkets.com/press.asp?rls_id=857&cat_id=6

He says two Bear Sterns funds simply "VAPORIZED" explaining, "In plain English, here's what happened:

"These funds invested in complicated mortgage securities ...

"They used extensive leverage, or borrowed money, to improve returns ...

"Then, delinquencies and foreclosures started surging, and the value of the underlying loans and bonds tied to them began sinking fast.

"Now private equity firms, which have been making monster deals built on debt, are being squeezed. Much of the debt is being seen as junk. We have also learned that the agencies rating credit and debt offerings had their heads in their rear ends. They have lost credibility putting the market at more risk.

The excellent website ML-explode.com reports that since late 2006 l00 major US Lenders have collapsed or "imploded." The editor sums up the reasons this way:

"Thank you greed; thank you delusion; thank you anti-regulation – we couldn't have done it without you!"

The press is beginning to wake up and realize how important this is. They have been talking about the rise of the stock market as if that tells the whole story. Yes, some corporate profits are up but what's happening down below is alarming. Note, the market fell nearly 150 points after last week's high of 14000.

Business Week says that the sub prime crisis is spreading to other kinds of debt, and far more serious than thought writing it is "Only a surprise to those who listened exclusively to sound bite-based talking-heads belaboring "sub prime" as an isolated implosion. Around here, long ago we were forwarding along data and analysis showing sharp rises in delinquencies in virtually all classes of consumer debt."

MORE CONTAGION

We are finally beginning to talk about real money and a real danger of the kind that terrifies bankers and the elite. They may not care about the poor, but they do about themselves! As Mike Larson suggests:

"Ultimately, losses on sub prime mortgage bonds alone may total as much as $90 billion, according to one estimate. Losses on collateralized debt obligations (CDOs), investment vehicles created from slices of various mortgage-backed securities and asset-backed securities, may total billions more."

In an interdependent interlaced economy, a problem in one sector quickly ripples elsewhere just like the South East Asian financial crisis ten years ago. It is like cancer, not easily checked.

I went to a dinner party last week and met a credit expert who works at one of Wall Street's top investment firms. He acknowledged to me that the people shoveling out those sub prime loans KNEW many of the borrowers couldn't afford to pay back.

I asked: "So what happened to due diligence?" one of the "market disciplines" that these bankers are always preaching?

He shrugged, indicating that there was so much to be made that normal safeguards and standards were pushed to the side or forgotten. He says there are many investigations underway right now.

We can't allow them to investigate themselves.

Where are the TV series on this pernicious corporate crime? Where are the investigative reporters showing how this is connected to government policies in the so-called "ownership society?" Where are the Democrats and their candidates on these issues? And where is the progressive community?

It is clearly time for our political and social movements to engage on this problem that is causing so much economic pain and revealing the gangsterism at the heart of the economy.

As Rick Pearlstein explained on TomPaine.com, this problem is an issue and a movement for economic justice just waiting to happen. Once you look into it in depth, "You'll find out how the' foreclosure crisis spun of short-sighted Republicans' political greed can spur a new (old) progressive politics of homeownership that could someday save the world."

What are we waiting for? ●

IS THE SKY FALLING?

Maybe the lesson is perseverance or possibly stupidity. For more than a year, I have been grabbing every megaphone I could find to shout like some Chicken Little that "the sky is falling," and that the debt bomb would go off.

On October 27 2007, the chief financial writer of London's Telegraph Ambrose, Evans-Pritchard wrote that the "sky had fallen."

> *"Over the last three months we have seen a rolling collapse of speculative debt and real estate across half the global economy, yet friends still come over to my desk at the Telegraph, with that maddening look of commiseration on their faces, and jab: "so when is the sky going to fall then, eh"?*

Well, excuse me. The sky has fallen

We have been trying to get our film ***In Debt We Trust*** seen to heighten public awareness and have used sites such as Stop The Squeeze to argue for a fight back. I hate to admit it, but most of the media has acknowledged the problem but then ignored it. I was feeling more marginalized than ever.

How, I asked concerned people, could the anti-Bush majority, the progressive movements – shucks, anyone – ignore this obvious menace? Maybe the very enormity of the danger produces denial.

The people who weren't listening are listening now—not necessarily to us but to the whooshing sound of money, large amounts of it, being flushed away as the market drops and central banks pump HUNDREDS OF BILLIONS into the financial system worldwide as the sub prime – what I call the sub CRIME – scandal leads to a loss of confidence in credit markets.

Suddenly the story is everywhere – still not covered with a "who gets hurt" perspective like the one in ***In Debt We Trust*** or any focus on the rip-off and crooked operators who were profiting off the crisis but it is getting out there.

Let's recap. Last week President Bush tried to bolster confidence in the system with a morning press conference. While all may have been well in his mind, the market got the signal and went KABOOM. A 387-point drop followed in the afternoon and then the big money boys got scared and started pumping in money like ballast to keep the ship afloat.

We know that it was more than $100 billion from the fed but other central bankers joined in to try to contain the contagion of more slippage. As far as I know, I was the only one who called for a criminal investigation in a commentary that got lots of pick up and comment.

The plot is, shall we say, thickening because of concerns that the government's response will aid Wall Street, and bail out the very people who caused the crisis in the first place. Horrors, what irony – or maybe that is what we have come to expect.

> *"The issue is often referred to as "moral hazard," reports the now shrunk-in-size New York Times," meaning that the risk-takers who brought on the panic would feel bailed out and would be more likely to do it again."*

(A week later, the Times would drop criticisms of a federal bailout and justify it as necessary to strengthen markets.) ●

THE MARKET: AN ENTITY WE CAN'T EVEN SEE

Mythifying markets and mystifying the public about the financial crisis

August 28: "Dig We Must," was once the slogan of the repair crews of CON-ED, New York's bumbling Electric utility. It is also now a metaphor for what is happening on Wall Street as all the financial heavy-hitters fled their summer mansions in the Hamptons to return to the trading desks to try to help dig their industry out of the hole it has fallen since the meltdown of the sub prime real estate market sparked so much volatility and vulnerability for the global economy. (Asian markets slumped this week)

Those who don't travel by helicopter have been burning up the Long Island Express to join bankers burrowing in their bunkers. This scary crisis is shaking up the worlds of the high finance boys who were raking it in until they weren't, as economist Max Wolff writes using the road as a metaphor:

> *"That is the heady road we traveled. It felt great to insiders speeding down the yield superhighway. That was until the sub-prime tire blew-out. Forced to stop and unable to re-inflate the tire with the usual hot air, folks began to look under the hood. That is where we are now. Peek under the hood and you see a lot of shiny borrowed chrome, a debt fueled engine and a lot of rot!"*

There's suddenly been a wake up call for executives and media pundits who seemed so "clueless" in seeing the "rot" or anticipating and trying to defuse a meltdown that has now cost billions with no end in sight.

It's not a situation to joke about, although folk singer Ethan Miller has been singing about it for years in "The Market Song" (Written with Kate Boverman) which is now part of an ***In Debt We Trust*** CD of the songs on credit and debt that helped inspire the documentary film I directed. (InDebtWeTrust.Com).

Here are some of the lyrics:

Well the first rule of the market is don't panic
And the second rule is you should panic first
'Cause if everybody panics at the same time
Then the whole damn stock exchange is gonna burst

This is the game of the market
Where everybody's maximizing profit
Money changes hands by the dictates of demand
Well it's stupid, yes, but no.......body can stop it

Suddenly, as mortgage companies implode and banks withdraw financing deals based on worthless debt, our vaunted "market system" that the GOP candidates and their rightwing ideologues have been gloating about doesn't look so flawless.

Comments London-based journalist William Bowles:

"It should be obvious to all and sundry by now that capitalism is in dire straights. Last week's meltdown of the world's major capital markets was only 'rescued' by the injection of literally hundreds of billions of dollars from the European Central Bank, the Bank of Japan and the US Federal Reserve.

"So much for the magic of the 'market', which we are continuously told, solves all problems. And in fact, last week's injection by the European Central bank of something like $100 billion dollars didn't do the trick! More had to be 'injected' in order to stave off a total collapse of the world's stock markets. The 'injection' is in reality a bail-out of the commercial banks."

Well now how can you hold me to commitment?
I must be flexible and ready for surprise
I'm really sorry that your job's been terminated,
But the Market told us that we must downsize

Continues Bowles:

"Added to the sense of dread as investors have no idea which institutions own what debt, leaving the markets to be riven by rumor and counter-rumor. 'There is great uncertainty as to how far risks are spread within the financial system and exactly where the losses reside,' said Paul Niven, at F&C Asset Management. 'The market is trading on fear.' – ('Central banks pour in billions - but global slide goes on' – The Guardian, Saturday, 10 August 2007)
Thus the real cause of the current panic is financial speculation caused by unrealistically cheap credit and almost no regulation of speculative markets..."

Does it seem like we've given up our power
To an entity that we can't even see?
Oh, this is not the first time that it's happened
You can learn about the others on TV

That "entity we can't even see," in Miller's words, has hit a big bump in the road and the 'free enterprise for us' gang has turned, where else, but to government to bail them out by lowering interest rates and pumping massive amounts of money into the system. The people who created the downturn are now lining up for subsidies so they can go out and buy "distressed properties" and restart the greed machine. Naturally, the Hedge Funds now want to profit on the misery they helped fund. Deals R'Us is still their mantra.

Feeding our ignorance on the origins of this rollercoaster, which some fear could lead to other bubbles bursting and a global recession, or something worse, is a media that mythologizes markets and presents them as neutral self-correcting mechanisms that fairly regulate supply and demand and deserve confidence. There is nary a word on how they can be dominated, monopolized and ologopolized. (Is that a word?) Last week we were warned about "contagion." This week, the calming buzzword is "correction."

Left out in all this is any discussion of the shadowy forces that we don't see who are calling the shots and the many ways in which the game is damaging our society and is even self-destructive to business. (Remember Lenin's warning: "sell them enough **rope** and in the end capitalists will hang **themselves**.") Who is investigating the profiteers and the tactics they use? What politicians are speaking out? Isn't the handwriting on the wall?

Steven Lendman writes:

"Some astute financial observers now believe current excesses and resulting turmoil were caused by the intentional engineering of the US housing bubble with the Fed in on the scheme." The Federal Reserve Bank) by the way, contrary to appearances, is NOT a government agency but a private body run by big banks.

"Insiders made loads of easy money in the process and now stand to cash in big troubled assets for a fraction of their value the way they always do in the wake of market meltdowns. It's called "vulture" investing with shrewd buyers profiting hugely in good and

bad times that are all good for them."

He concludes:

"The problem is deep, structural and aided by stripped away regulatory protections giving predatory lenders and Wall Street schemers free reign to target unsuspecting victims." In other words, see who benefits.

Enough of all the uncritical market hyping in the media! Lets get at truths that are obscured with vague references to faith-based market "psychology" which has actually been described as motivated by "animal spirits" as if that's a good thing. They make it sound like fun time – when it's a crime.

To keep informed about what's really happening, tune out CNBC and check in on websites like ML-implode.com, iTulip.com and stopthesqueeze.org, among many others.

As we remember the children's story of the Emperor who had no clothes. we have to try to get a deeper fix on, and control over, that "entity that we can't see." ●

BAD DEBT FINANCING BIG DEALS

Sometimes I just sit here, puzzling, on how is it possible for our society and all of us to become so dependent on debt.

All the big deals on Wall Street are being funded in part by debt, some of it from securitized sub-prime loans. Some of it through other maneuvers. Example: Sallie Mae goes private and is sold to "avoid scrutiny" in the spreading student loan scandal in which the company is deeply implicated in getting college administrators to steer students to their higher priced loans. The price for the company: $24 billion, of which 16.8 billion is in debt. The Cablevision company is being sold back to its founding family. Over 10 billion in debt is involved.

CEOS are borrowing debt to buy back stock and in the process, just coincidentally I am sure, use some of the money to hike their own salaries to obscenely high levels. It doesn't stop as our mortgages are bought and sold back into the market in so-called securitization trusts. This money then leverages more speculative investment. Meanwhile the money manager who looks after Dick Cheney's finances is warning that the whole world is becoming a bubble that can burst.

And did you know that General Motors is deeply complicit in the sub prime lending crisis. I didn't until I found out that what was the world's biggest automaker saw its profits fall as the sub prime loans they were doing on the side imploded. This little item was in the Financial Times:

"General Motors' first-quarter earnings shrank almost 90 per cent, with improved automotive operating profits more than offset by heavy sub prime mortgage losses at GMAC, the financial services group in which the carmaker has a 49 per cent stake." (In November, GM reported a 39 billion dollar loss)

Hmmmmm?? Meanwhile and not un-coincidentally, The Motor city of Detroit, GM's hometown, has been named the Foreclosure Capital Of America because so many people are losing their homes as their wages drop and their bills climb. •

WHO SHOULD WE BLAME?

Steven Lendman dissects the scandal

"In addition, mortgage problems are "anything but contained" and aren't confined to the subprime category. Princeton Economist and NY Times columnist Paul Krugman believes current real estate troubles and mortgage fallout bear similarity to the late 1990s stock bubble. Like today, they were accompanied by market manipulation and scandalous fraud at companies like Enron and WorldCom. In his view, "it is becoming increasingly clear that the real-estate bubble of recent years (like the 1990s stock bubble).... caused and was fed by widespread malfeasance." He left out the Fed but named co-conspiratorial players like Moody's Investors Service and other rating agencies getting paid lots of money to claim "dubious mortgage-backed securities to be highest-quality, AAA assets." In this role, they're no different than were "complaisant accountants" like Arthur Andersen that lost its license to practice from its role in the Enron fallout.

"In the end, this scandal may be more far-reaching than earlier ones because so many underwriters and other firms are part of the fraud or are seeking to profit from it. At this point, it's hard separating villains from victims as, in some cases, they may be one in the same. They're all involved in dispersing up to trillions of dollars of risks through the derivative alchemy of highly complex, hard to value, packages of mostly subprime CDO and various other type debt instruments that may even end up in so-called safe money market funds unbeknownst to their unsuspecting owners.

"Before this scandal ends, they'll be plenty of pain to go around, but as always, small investors and low-income subprime and other mortgage homeowners will be hurt most. Krugman says this is "a clear case for government intervention," but it won't be the kind he wants. He cites a "serious market failure (needing fixing to) help (as many as) hundreds of thousands" of Americans who otherwise may lose their homes and/or financial nest eggs. Faced with this problem, "The federal government shouldn't be providing bailouts, (it should) arrange workouts.... we've done (it) before (and it worked) - for third-world countries, not for US cit-

izens." It helped both debtors escape default and creditors get back most of their money.

"By providing huge cash infusions to ease credit and reignite "animal spirits," the Fed and other central banks showed they aren't listening. It proves what Ralph Nader said in his August 19 Countercurrents article called "Corporate Capitalists: Government Comes To The Rescue" that's also on CounterPunch titled "Greed and Folly on Wall Street." With "corporate capitalists' knees" a bit shaky, Nader recalled what his father once explained years ago when he asked and then told his children: "Why will capitalism always survive? Because socialism will always be used to save it." Put another way, the American business ethic has always been socialism for the rich, and, sink or swim, free market capitalism for the rest of us.

"As the housing slump deepens and many tens of thousands of subprime and other mortgage holders default, vulture investors will profit hugely buying troubled assets at a fraction of their value as they always do in troubled economic times." ●

SHOCK THERAPY ON WALL STREET: WHAT'S NEXT?

"Institutions and human psychology lead financial markets to bounce back and forth between exuberant greed and catatonic fear. Times of fear generate high unemployment. Times of greed are likely to be times of destabilizing inflation." – Economist Brad DeLong

New York, September 19: It was another week in which the debt crisis rolled over financial institutions worldwide and people's lives like an out of control freight train. On Tuesday, the US stock market received a gift from the Federal Reserve Bank in the form of a half percent interest rate cut, twice the amount most analysts expected.

Why?

There is panic in high places. They know this crisis is far more serious than most of us realize, and that the interest rate cut will not address the subprime problem or bring relief to the millions facing foreclosures and a tighter economic noose around their necks.

It will, say many financial wizards, lead to higher inflation, which is a way of making our money worth less. The dollar's status as a currency took another whack.

One analyst in the New York Times called it "shock therapy," the very term writer Naomi Klein explores in her new book on "disaster" capitalism showing the link between the shock therapy once doled out in mental hospitals, shock and awe bombing, shock interrogation techniques whose aim is to "disorient" prisoners and shock strategies used in economic policy that has devastated so many countries in which it was tried.

Now it has come home to the US – the country that has been exporting it overseas.

On a recent Democracy Now show, Klein explained:

> *"The history of the contemporary free market was written in shocks.... Some of the most infamous human rights violations of the past thirty-five years, which have tended to be viewed as sadistic acts carried out by anti-democratic regimes, were in fact either committed with the deliberate intent of terrorizing the pub-*

lic or actively harnessed to prepare the ground for the introduction of radical free-market reforms."

The only difference here is that, so far, there have been no serious reforms proposed and the market is anything but free. With its interest cut, the Fed bails out and rewards the very institutions that were profiting on ill gain profits from predatory lending.

In some countries, people are starting to stir. Americans remain too caught up in the primaries and the war on one end, and the new wave of OJ mania on the other to take action against the looting of their pocket books. We are becoming a shell-shocked nation.

A CHEER FOR THE PEOPLE

We saw customers at a credit-starved mortgage bank in London lining up in the streets to pull their money out and the Bank of England pumping money in just a day after warning others, in the name of "moral hazard" rules, not to bail out lenders.

The Times of London carried a cheer by writer Libby Purves for those demanding their money arguing:

"Salute the queuers for their nerve, patience and admirable impermeability to patronizing advice. For how dare the stuffed suits, financial and political (and indeed journalistic), use expressions like 'Don't panic' and 'Keep calm'. The withdrawers are perfectly entitled to choose who looks after their lavishly pre-taxed savings. Some of them actually need money right now – like the chap on the news who wanted to pay his builder – and others just prefer not to rely on an institution that goes begging to the 'lender of last resort'.

"By their presence on the streets, most of it not at all panicky in demeanour, the queuers utter a resounding raspberry to the financial industry and its political masters. It is time someone did."

(When Will Americans do something similar? One weak but promising shift in the political wind: Barack Obama's Speech on Wall Street on Monday called for mare responsibility.)

"EXTRAORDINARY," SAYS THE ECONOMIST

The world's top business magazine The Economist noted:

> *"A century ago, the depth of a banking crisis was measured by the length of the queue outside banks. These days, financial panics are more likely to be played out through heavy selling in share, bond or currency markets than old-fashioned bank runs. That makes the sight on the morning of Friday September 14th of a queue of people waiting (patiently in most cases) to take their money out of Northern Rock, a wounded British mortgage bank, all the more extraordinary.*

Yes, folks, "extraordinary" is the word, as this crisis becomes frighteningly global.

THE PEOPLE IN THE KNOW KNOW….

Bankers know how bad it is. Here's Jim Glassman of JP Morgan: "The credit-market storm is a far more dangerous thing than anything we've seen in memory."

More and more news reports are glum.

Here's the Sydney Morning Herald in Australia reporting on How Bad Debt Infected the World:

> *"The foreclosure butterfly flapped its wings in smalltown USA and the hurricane built and tore through world banking."*

Here's the Independent on Sunday drawing a parallel with the Great Crash of 1929:

> *"In his classic work The Great Crash: 1929, J K Galbraith put the decline down to the bad distribution of income; the bad corporate structure; the bad banking structure; the dubious state of the foreign balance; and the poor state of economic intelligence. He might have been writing about George W Bush's world rather than that of Herbert Hoover."*

Remember: you can't rely on what officials are saying to calm us. One financial website noted: "the time to panic is when officials say, 'don't panic.'"

Remember Andrew Mellon, Hoover's Treasury Secretary, who said famously: "I see nothing in the present situation that is either menacing or warrants pessimism."

The comment was made on 31 December 1929, just after the Wall

Street crash and ahead of the Great Depression.

No, I am not expecting or hoping for a depression. Who would? But the parallels are eerie, and I am not the only one making them.

WILL THE INTEREST RATE CUT HELP?

On Tuesday, The Federal Reserve bank cut the interest rate for first time in four years, seeking, they said, to prevent a housing slump and turbulent markets from triggering recession.

Bloomberg's Financial News explained the Fed's "dilemma:"

While a quarter-point reduction in the federal funds rate may not be enough to bolster growth and investor confidence, a half-point cut might fan inflation and be perceived as giving in to pressure from Wall Street firms that made bad bets, especially in the market for securities backed by subprime mortgages.

[NOTE: The cut was a half point deal. What do you think that means? . . . Yup, the current crisis is scarier to them than future inflation which rich people can handle and yes, they did give in to pressure.]

Bernanke and fellow policy makers 'are really caught,' said Robert Eisenbeis, a former research director at the Fed's bank in Atlanta who attended meetings of the rate-setting Federal Open Market Committee before retiring early this year. 'The Fed needs to avoid the perception of bailing out the markets, lenders or borrowers."

"Needs to avoid?" Huh? No it doesn't. The Fed is not in the PR business and in the end cared not a whit about image, but at the same time, it is all a "perception game." The rate cut was praised because it looks like something good was done. It wasn't.

Look at what the experts were saying before the Fed overacted.

The Wall Street Journal: "Too Much Hope May Be Pinned On Rate Cut"

They say the rate cut "would offer little immediate help for the fundamental problems weighing on the country's economy and financial markets."

The Economist: "In the short term, lower interest rates will not achieve all that much."

So why all the hype?

Perhaps because symbolically this looks like the government is coming to the rescue. The cut will help stock sales, as it already has when the market soared. It will bail out bankers, but not the people who are suffering under the burden of debt and foreclosures.

No one is talking about how to create economic equality, lower prices, control gas and food costs and RAISE WAGES FOR WORKING PEOPLE. No one.

I wonder why. “Don’t be naive,” a friend said, “The Fed is not there to help us. It is run by bankers, for bankers. It’s part of the problem, not the solution.” True, but what will we do to help ourselves, or is it already too late?

That is shocking! ●

OCT 13: IT'S BAD AND THAT AIN'T GOOD (NEWSLETTER)

"I could never buy a house. I can't travel. I can't do anything. I feel like a prisoner." – Attorney Kristin Cole, 30, who owes $150,000 in student loans.

OCT: 3, 2007: The squeeze is getting worse with the debt load growing and more families unable to pay their bills. The dollar may be in a free fall. Hold on to your hats and your homes.

We are now in the third quarter of 2007 with Citibank reporting a 60% plunge – over $5 billion – in profits partly because of subprime loan "write downs." UBS reports a $3.4 billion hit for the same reason. This proves how deeply complicit big banks were in financing the subprime scam.

The Marketwatch website has a front-page feature titled: "COULD IT CRASH AGAIN?" They are referring to the market drop of 1987. On Monday, the stock market rallied dramatically in what one observer called "A subprime relief rally." That does not mean the problems have gone away.

HOPES AND ILLUSIONS

In fact, the NY Times headline said just that: "Stocks Soar on Hopes Credit Crisis Is Over." In truth, it is not over, not by a long shot. Reuters reports:

> *"The warning from Citigroup that its quarterly earnings will drop 60% could be a sign of things to come from U.S. banks and brokerages. "I believe there is a systemic debt problem and it will take years to work out – and the Federal Reserve cannot resolve the issues," said Richard Bove, bank analyst at Punk Ziege."*

NY Mayor and financial guru Michael Bloomberg also says the causes are deeper. He says the global credit crunch has as much to do with public debt as the US sub-prime meltdown. The billionaire media and business mogul talked about the "lunacy" of debt levels in the US and the UK at the Conservative Party conference in the Britain: "This is not a mortgage crisis," he insists, "it's a crisis in confidence and we're all in it together."

"DENIAL SQUARED"

So don't be fooled by the rise in the Dow. Deep debt problems are not going away despite all the rosy optimism. It masks a deeper denial among those who think that if they believe or hope everything is ok, it will be. No sooner did I write that last line than I read on the Housing Panic blog: "The housing market may still be in denial, but it appears that Wall Street and foreign markets are in Denial Squared." ●

THE CRIMES OF WALL STREET

There is a term in finance called "moral hazard." It refers to policies and practices that reward wrongdoing by bankers and investors instead of allowing them to suffer their losses in the win-lose environment of the rigged casino that we refer to as markets.

On one level, it suggests that yes, there is some notion of rules and, dare I say, "morality" lurking in the "anything goes if I don't get caught" financial vampire land responsible for the collapse of credit markets in the aftermath of the disclosure of the subprime ("subcrime") scandal.

The bankers themselves are furiously debating what to do as they post record losses. The Bank of England opposes cutting the cost of credit, something that many expect the U.S. Federal Reserve Bank is about to announce as a "moral hazard." Other bankers overseas are bitterly denouncing their American counterparts. Two banks in Germany had to be rescued.

Measures are being taken similar to locking the barn door after the horses are gone. The Securities and Exchange Commission, the nominal regulators were caught napping. They are only now setting up "Enforcement Groups," including one on subprime abuses. They say they are going to be looking at "everyone involved."

Already big banks and credit rating companies that certified the crooked "securitization packages as kosher" are firing top executives. Hedge Funds are reporting "shock losses." There is a clear "Ccntagion" as losses in one sector spread to others. Only the high price of oil is keeping the market afloat.

The industry and government response may be too little too late. Already the dominoes are falling as these problems move into the real world or "real economy" as Treasury Secretary and ex-Goldman Sachs chief Hank Paulson puts it. Just read the headlines in newspapers such as the Financial Times.

"Rise Forecast In Company Default Rates

"Company default rates are forecast to rise nearly 300 percent as the credit squeeze hits the wider economy and raises the prospects of a global recession."

Note: It's not just homeowners who are defaulting anymore. Companies are. One expert says we are already in a recession even though, technically, the economy has to be "contracting" for two quarters for a recession to be acknowledged.

But, those in the know do know it's happening. They just don't want to panic the rest of us. This headline says it all: The R-Word Surfaces On Wall Steeet. The White House is predictably complacent but the head of the National Bureau of Economics, Martin Feldstein, says there is a "very serious risk of a very serious downturn."

Part of the reason for this is the predators who came up with all these securitization and derivative scams were enabled by big Wall Street investment houses with the Bush Administration looking the other way. They figured it would only entrap poor people they didn't care about and so not affect them.

How wrong they were.

And can you believe that these geniuses don't know how much of their own investments are contaminated by funny money (i.e., asset based securities with no real assets backing them.)

The London based writer William Bowles demystifies this problem:

> *So for example, the so-called sub-prime lending catastrophe (let's not forget the poor schmucks who are getting their houses repossessed, a fact that's rarely mentioned in news coverage of the crisis) is made even more of a catastrophe by the fact that the billions in debts owed to banks has been 'broken up' into millions of 'small' debts and then 'repackaged' with a bunch of other financial notes and then sold off to some clever cuts in the investment section of an institution, who sees yet another chance to actually print the money (rather than producing something real).*
>
> *It's fucking brilliant. What's more, because financial trading has been deregulated pretty well globally, these debts have been sold, resold, repackaged, resold, split, recombined, and had who knows what else done to them, right across the planet!*
>
> *So that's what they mean when they say they don't know where the debts are."*

The Financial Times put this more politely. “Credit Turmoil Shows That Not All Innovation Has Been Beneficial.” They lament: No more champagne and “bumper bonuses” for the scammers.

This is the time bomb that may be freaking out the big boys now but the rest of us will be affected as this crisis “rolls out” with rising unemployment and a credit squeeze. Billions are at stake. Tens of thousands have lost jobs. The housing sector, a core part of the economy is a mess. People are having their homes stolen. Other speculators, in our country and others, are waiting to pounce and pick up bargains at fire sale prices. So isn’t it time for the media to blow the whistle on this white collar crime wave before, and not after the collapse that many see coming?

Where are the organizations and politicians demanding the prosecution of wrongdoers in what is clearly a criminal conspiracy and “Ponzi scheme” of unprecedented proportions? Where is NBC News’ “To Catch A Predator” program? They are certainly not “following the money,” the key imperative for journalism or targeting the big time predators. And they are not alone.

We are reading more stories such as “I can’t afford my life” detailing the economic noose so many families are experiencing but little about why it’s happening and who has been profiting off so much misery.

Millions of Americans are affected, so why are so many people sucking their thumbs and looking the other way? How can we make this a people’s issue, not just a financial story? Who has the courage to take this on? Who is ready to act? ●

CAN WE TRUST THE NEW JOBS REPORT THAT HAS LED TO ROSY FORECASTS?

OCTOBER 7: On Sunday, October 6, the Public Editor of the New York Times pointed to all the discrepancies and conflicts in the violence figures coming out of Iraq. He called for more nuanced reporting and increased public skepticism. He noted that the perception of progress there has been bolstered by the release of questionable statistics.

What's true of reporting from Iraq is also true about the job figures that the government releases monthly gaging the health of the U.S. economy. Can they be trusted? And what about the reporting on them? This is an especially timely issue as Fox News gets ready to launch its own heavily-hyped new Business Channel.

For weeks, we have heard all these warnings about the financial crisis sharpening and a possible recession. Reality intruded after a big subprime relief rally sent stocks soaring. Wall Street was quickly back in swamp, and it looked like the Federal Reserve Bank would have to cut interest rates again to further bail out the markets.

But then, on Friday, October 4, the Bush Labor Department announced a new jobs report and much of the coverage turned upbeat.

The report offered preliminary data claiming that the economy added l00,000 jobs in September. Suddenly, lower job figures from July and August were also magically revised upwards.

Wall Street went crazy. The S & P went up and the headlines went positive.

Here are two examples of the spin: The New York Times: "JOB GROWTH LOOKS ROSIER, EASING RECESSION FEARS." The Wall Street Journal, "US ECONOMY DOWN, NOT OUT."

The new numbers accounted for the turn around? Bear in mind, back in the 90s, in the Clinton years, 200,000 new jobs was what was expected on a monthly basis to assure economic growth. That was the gold standard. Now that number has been cut in half and is suddenly being treated as Great Leap Forward. How did the job numbers turn around? Or have they?

Reports the Journal, "much of the revision was caused by recalibrating seasonal fluctuations in government employment, including teaching."

Mmmmm…"recalibrations of seasonal fluctuations! I'd love to let Stephen Colbert loose on that phrase. Look more closely, and you will see these recalibrations: deal with GOVERNMENT EMPLOYMENT, not jobs in the private sector. There were 71,000 jobs "recalibrated" in local education.

Yet establishment economists are saying these jobs are not what the economy really needs. The Journal quotes Nigel Gault, chief economist at Global Insight to the effect that "private sector jobs are the underlying driver of the economy."

Yes they are, but these are not them. The biggest jump here is in government jobs. NBC News reported on yet more job cuts in Flint Michigan Saturday and that manufacturing jobs are at their lowest point since 1950.

Presumably you would think the disappearance of these jobs would be upsetting to the wise men of Wall Street. In fact, they are but their concerns are being buried in stories that fuel the perception that the corner is being turned.

Example: way down in the 19th paragraph of the Journal article, The Vice Chairman of the Federal Reserve Bank Donald Kohn says he expected that the nations "economic performance would be better." He says, "You should view these forecasts even more skeptically than usual."

But the business press, like the market that loves any excuse for a good rally, is not that skeptical. They tend to like positive numbers and downplay negative ones often without analyzing them.

Back at the NY Times, you had to jump from page one in the Business section with its "Job Growth Looks Rosier" headline to page 8. There, at the very bottom of the last page, next to the corporate bond data – a place most readers don't venture – are these quotes;

"I don't think we're totally out of the woods yet," said Jan Hatzius, Chief United States economist for Goldman Sachs. "There are some real problems at the foundations of the economy. If nothing really bad happens, we can muddle through and unwind some of these problems over a lengthy period of time. And if something bad happens, we go into a recession."

So there it is that depressing "R word" again but pushed all the way down in the story. In journalism, we used to call this 'burying the lead.'

Clearly the recession threat hasn't gone away. Not at all! As for "bad things" to fear, that surely includes the expected jump in oil prices and more unemployment. The actual rise reported in unemployment was minimized in most of the press accounts. (On Sunday, London's Observer reported: "Tens of thousands of New York bankers are braced for a crippling round of job cuts as the aftershocks of the credit-market collapse reverberate the length and breadth of Wall Street.")

Says Ethan Harris, the chief United States Economist at Lehman Brothers:

> *"We're likely to go through an extended period of slow economic growth, We're likely to to see a further drop in the job market, a further rise in the unemployment rate, and, ultimately the fed will come back again and cut interest rates."*

So there you have it, expectations of more bad news and hopes for another intervention by the Fed. These experts quoted in the stories actually contradict the upbeat tone of the stories and their headlines. Next month's Jobs report will have to factor in the l00,000 plus jobs lost in finance and housing which have already occurred but are not yet reflected in the statistics.

In other words, these reports, like the coverage that claims the surge is working in Iraq are selective and inflated. They are aimed more influencing perceptions than providing truth.

My questions: how do they get away with this? Why does the market buy it? Why does the press do it? And what are they leaving out?

Businessman and financial analyst Eric Janszen says our economy is increasingly showing the features of a Banana Republic with low-paid government and service jobs for all. He writes on his website iTulip.com that the private goods producing sector so vital to a sound economy is shrinking:

"Construction firms cut 14,000 jobs in September, Factories slashed 18,000. Retailers got rid of just over 5,000 jobs. Financial services companies eliminated 14,000 slots.

"However, gains in education and health services, professional services, leisure and hospitality, and in government work more than offset those losses, leading to a net gain in new jobs in September.

"Jobs in government now parallel jobs in the goods producing sector as the dollar is being depreciated.

"The magic of a depreciating currency is working," Foreign investors are buying UBRA (United Banana Republic of America) stocks and other assets at fire sale prices. Tourism is up as visitors from Asia, Europe, Canada and all other countries whose currencies have appreciated ... visit the US for a cheap UBRA vacation, driving leisure and hospitality jobs within the service sector where most of the job growth occurred.

And wages? They are not rising as fast as prices. His conclusion:

"Suppression of wage increases has been the centerpiece of monetary and government policy to manage inflation in the Production/Consumption Economy since 1980. Given the difficulty in acquiring legitimate measures of actual inflation rates in the US economy, there is no way of telling whether these wage increases translate into increased purchasing power. Given the rise of oil and other commodity prices, it seems doubtful. In fact, it looks like the UBRA is going full-bore banana republic, including wage and price inflation to maintain employment going into an election year."

So there you have it: politically influenced numbers, another reason not to trust the mainstream media and search out more thoughtful analysis elsewhere.

As the old saying holds, "Figures lie and liars figure." ●

WHEN THE POLITICAL IS ALSO PERSONAL

The debt crunch in America is not just an economic problem - it is often a personal crisis, affecting how we millions of Americans live and what bills they can afford to pay.

This was brought home in the Boston Globe in a story that reported on a couple calling off their wedding because of fears of future indebtedness.

A young man was quoted, "I want to marry her, but I don't want to marry her debt, and I can't justify spending anything on a wedding when our finances don't make sense at all."

You can just feel his dilemma. In my film ***In Debt We Trust*** the conservative Nashville based radio host Dave Ramsey explains:

> *"Money problems are a big reason behind divorces. Financial pressures impose on every family and often lead to domestic violence and alcohol or drug dependency. The pressure is often too much."*

Some family members don't even tell their loved ones about the debts they are running up. As a result, there can be lying and even stealing when the bills come due. That's happened in my life, too. I just saw a segment about this conflict on Big Love, the HBO series set in a polygamous marriage.

No one wants to talk about their personal finances unless they have to but the pressure they are confronting are often the result of economic and political decisions made by others.

When Congress fails to protect consumers, that's one political decision. When big banks and credit card companies are allowed to get away with predatory practices or outrageous interest and fees, that's another one. That's why this whole issue has become one of personal survival and economic justice. We need fairness, transparency and accountability in lending!

Look at what happened involving student loans. The press has been full of stories of conflicts of interests, payoffs and gifts to schools and colleges to steer students to higher priced loans etc. Here's a headline from the New York Times: "LAWMAKERS SEE A RESPONSIBILITY FAILURE."

And, for once, the irresponsibility is not being blamed on us, the consumers. Even Margaret Spellings, the Education Secretary in the Bush Administration admitted in testimony, "the system is redundant, it's Byzantine and it's broken." She said the system is "CRYING OUT FOR Reform." Well … Thank you Madam Secretary – finally some truth in high places ... but only after the press started exposing the situation, not before.

Commenting on one of the rip-offs that was documented Representative John Tierney said:

> *"It boggles my mind – we allowed somebody to get away essentially with theft."* ●

BUSH VOWS TO HELP SUBPRIME VICTIMS, SAVE THE SUBURBS

When Is a non-bailout really a bailout, and why it's a joke

It's official. It's Presidential. The "Decider" has decided. Yes, Houston, we do have a problem with the housing mess. And yes, Congress, your White House is finally going to act to help home-owners hustled into sub-prime loans find some relief.

In a belated response to market meldowns,imploding companies (the number now stands at 145) and two million plus families facing foreclosure,when mortgages "reset," your compassionate conservative commander-in-chief has decided it's time to get involved, to show that the federal government is there in our hour of need. With prices and home value falling, building is grinding to a halt and economic growth is at risk.

We are still not sure how President Bush found out about this crisis, but August, in Crawford, Texas, seems to be a time for bringing warnings of imminent threats to POTUS's attention.Remember the Presidential briefing on August 6, 2001 warning that the United States was in imminent danger of being attacked by terrorists.

Condoleezza Rice later admitted that nothing was done because Al Qaeda had not provided the date for their planned attack.

Now,another set of advisors were on the case this August with a warning from the National Association of Business Economists about a serious new threat:

> *"The combined threat of subprime loan defaults and excessive indebtedness has supplanted terrorism and the Middle East as the biggest short-term threat to the U.S. economy."*

While some may think that the President acted just to defend low income owners, perhaps to atone for his earlier belated response to Katrina, there is another problem, that the blue bloods in the GOP were keen that he be responsive to – one closer to home – the threat to their neighborhoods and voting base.

The LA Times outlined this emerging threat to this way:

"Houses abandoned to foreclosure are beginning to breed trouble,

adding neighbors to the growing ranks of victims. Stagnant swimming pools spawn mosquitoes, which can carry the potentially deadly West Nile virus. Empty rooms lure squatters and vandals. And brown lawns and dead vegetation are creating eyesores in well-tended neighborhoods.

It was time to act to save the suburbs and "well-tended neighborhoods."

This time,there will be no inflated war talk,heaven forbid a "War on Wall Street" or a declaration of a national emergency. That won't work, the pundits assure us. So instead we will throw money at the problem but not too much and make the rhetoric seem beneficent.

Last Friday, the President announced some modest, mild, limited intervention – all terms used in the press – to put a band aid on this cancer, and whatever you do, don't call it a bail-out. This initiative, aimed at helping a mere l8,000 families had these components:

● Urge Congress to pass legislation that would give the Federal Housing Administration more flexibility in assisting mortgage holders with subprime mortgages.

● Pledge to work with Congress to reform the tax code to help troubled borrowers rework their loans.

● Call for rigorously enforcing predatory lending laws and strengthening lending practices.

Sounds good, but judging by the Orwellian way this Administration uses words, like peace to mean war, could this non-bailout really be a bailout?

The business magazine Forbes thought so and reports that it is not the borrowers who are being bailed out but the lenders. They, unlike most of the media which reported it as if it was really a debt relief plan,called it "a Labor Day Gift to Wall Street."

"In a Labor Day gift to Wall Street, President Bush on Friday announced plans to expand the Federal Housing Administration so that an additional 80,000 risky borrowers can benefit from its mortgage insurance program. In doing so, he sent a signal that the federal government would act to keep the market turmoil brought on by the implosion of risky mortgage lending from damaging the economy in an election season.

One of the more knowledgeable Housing blogs confirmed this is a bailout for lenders,not the borrowers:

The financial institutions that are calling most loudly for a bailout claim the Government must act to protect homeowners. However, the most severe losses will not be borne by homeowners but by those who loaned them the money. Therefore, any bailouts will ultimately go to lenders not borrowers.

The biggest predatory lenders understood and welcomed this, a nod and a wink. “Whatever he called it, stocks of financial services companies like Countrywide Financial and Bear Stearns which have been rocked by the implosion of their bad bets on risky mortgages, gained on his comments.” Explained Forbes:

“Investors took the comments to mean that whether or not Bush was calling this a bailout, the government was willing to step in and stem the bleeding.”

“And to make sure the industry has a continuing influence the firms are seeking help from insiders, but not just anyone. Financial News reports: “Lehman Brothers has appointed Jeb Bush to its private equity advisory board in the latest attempt by a buyout group to influence Capitol Hill.

“Lehman’s move to hire the former Governor of Florida and brother of President Bush follows buyout giant Kohlberg Kravis Roberts hiring two former White House aides to lobby the US federal government on tax and regulatory matters affecting private equity.”

And to make sure the Democrats don’t get too uppity, the lobbyists are spreading money around on a non-partisan basis. Real Estate is a major political giver and its political action groups expect what they pay for. According to OpenSecrets, The National Association of Realtors is the number one lobbyist:

“The NAR PAC spent $3,752,005 in the 2006 campaign:49% to Democrats and 51% to Republicans. They raised $1,716,960 in contributions of $200 or more.The Realtors Political Action Committee (RPAC) is one of the largest trade association PACs, dating to 1943.”

So let's not expect too much from either Party unless activists make this an issue too – an issue of economic fairness. The Administration says it now advocates "jaw boning" – i.e. verbal pressure – to persuade lenders to be nice to their customers and not be too quick to foreclose.

But who is going to jaw bone the politicians to turn real pressure on with new regulations and investigations to penalize rather than protect those responsible? The real culprits are still living off their ill-gotten gains. New government data shows that the AVERAGE pay in Investment banking is $8,367 a week compared to $841 for all private sector jobs. Hedge Fund managers are doing even better with an average of $23, 846 to $16, 848 each and every week. (Source: The New York Times.)

(At the end of October, 2007, Stanley O'Neil was forced out as CEO of Merrill Lynch after his firm reported losses of more than $8 Billion under his watch. He was allowed to keep a $161.5 million retirement package. It was also reported that he and most of his colleagues had annual compensation deals in the $40-50 Million range.)

Here's the problem we need to talk about – how to contain, restrain and block the Credit and Loan Complex from further financializing our society by concentrating more power in industries that institutionalize extreme inequality and expedite the institutional rip-offs coming to light in this subcrime scandal.

Will Hutton calls this crisis what it is: theft:

> *The banks at the epicentre of the crisis should go bust and heads should roll. The hedge funds which bought the debt, traded it and sold it on to banks globally should also be allowed to go bust and be subjected to much closer surveillance and regulation.... This won't happen unless politicians and political movements demand it."*

The Bush Plan will just make matters worse. Explains Carolyn Baker:

> *"The last thing borrowers need is more debt! Instead of a refinancing arrangement, the borrower needs a higher income and lower expenses which will allow him/her to pay down debt and improve his/her skills."*

●

IS THE ECONOMY "OUT OF THE WOODS?" CAN WE TRUST THE ROSY FORECASTS?

Tuesday, 09 October 2007: On Sunday, October 6, the Public Editor of the New York Times pointed to all the discrepancies and conflicts in the violence figures coming out of Iraq. He called for more nuanced reporting and increased public skepticism. He noted that the perception of progress there has been bolstered by the release of questionable statistics.

What's true of reporting from Iraq is also true about the job figures that the government releases monthly gauging the health of the U.S. economy. Can they be trusted? And what about the reporting on them? This is an especially timely issue as Fox News gets ready to launch its own heavily-hyped new Business Channel.

For weeks, we have heard all these warnings about the financial crisis sharpening and a possible recession. Reality intruded after a big subprime relief rally sent stocks soaring. Wall Street was quickly back in swamp, and it looked like the Federal Reserve Bank would have to cut interest rates again to further bail out the markets.

But then, on Friday, the Bush Labor Department announced a new jobs report and much of the coverage turned upbeat.

The report offered preliminary data claiming that the economy added 100,000 jobs in September. Suddenly, lower job figures from July and August were also magically revised upwards.

Wall Street went crazy. The S&P went up and the headlines went positive.

Here are two examples of the spin:

The New York Times: "JOB GROWTH LOOKS ROSIER, EASING RECESSION FEARS."

The Wall Street Journal: "US ECONOMY DOWN, NOT OUT."

The new numbers accounted for the turn around? Bear in mind, back in the 90s, in the Clinton years, 200,000 new jobs was expected on a monthly basis to assure economic growth. That was the gold standard. Now that number has been cut in half and is suddenly being treated as the Great Leap Forward. How did the job numbers turn around?

Or have they?

Reports the Journal:

"Much of the revision was caused by recalibrating seasonal fluctuations in government employment, including teaching."

Mmmmm ... recalibrations of seasonal fluctuations! I'd love to let Stephen Colbert loose on that phrase. Look more closely and you will see these recalibrations deal with government employment, not jobs in the private sector. There were 71,000 jobs "recalibrated" in local education.

Yet establishment economists are saying these jobs are not what the economy really needs. The Journal quotes Nigel Gault, chief economist at Global Insight, to the effect that "private sector jobs are the underlying driver of the economy."

Yes they are, but these are not they. The biggest jump here is in government jobs. NBC News reported on yet more job cuts in Flint, Michigan Saturday and that manufacturing jobs are at their lowest point since 1950. Presumably you would think the disappearance of these jobs would be upsetting to the wise men of Wall Street. In fact, they are but their concerns are being buried in stories that fuel the perception that the corner is being turned.

Example: Way down in the 19th paragraph of the Journal article Donald Kohn, the Vice Chairman of the Federal Reserve Bank, says he expected that the nation's "economic performance would be better." He says, "You should view these forecasts even more skeptically than usual."

But the business press, like the market that loves any excuse for a good rally, is not that skeptical. They tend to like positive numbers and downplay negative ones often without analyzing them.

Back at the NY Times, you had to jump from page one in the Business section with its, "Job Growth Looks Rosier" headline to page 8. There, at the very bottom of the last page, next to the corporate bond data – a place most readers don't venture – are these quotes:

"I don't think we're totally out of the woods yet," said Jan Hatzius, Chief United States economist for Goldman Sachs:

> *"There are some real problems at the foundations of the economy. If nothing really bad happens, we can muddle through and unwind some of these problems over a lengthy period of time. And if something bad happens, we go into a recession."*

So there it is, that depressing "R word" again, but pushed all the way down in the story. In journalism we used to call this "burying the lead."

Clearly the recession threat hasn't gone away. Not at all! As for "bad things" to fear, that surely includes the expected jump in oil prices and more unemployment. The actual rise reported in unemployment was minimized in most of the press accounts. (On Sunday, London's Observer reported: "Tens of thousands of New York bankers are braced for a crippling round of job cuts as the aftershocks of the credit-market collapse reverberate the length and breadth of Wall Street.")

Says Ethan Harris, the Chief United States Economist at Lehman Brothers:

> *"We're likely to go through an extended period of slow economic growth. We're likely to see a further drop in the job market, a further rise in the unemployment rate, and, ultimately the fed will come back again and cut interest rates."*

So there you have it, expectations of more bad news and hopes for another intervention by the Fed. These experts quoted in the stories actually contradict the upbeat tone of the stories and their headlines. Next month's Jobs Report will have to factor in the 100,000 plus jobs lost in finance and housing which have already occurred but are not yet reflected in the statistics.

In other words, these reports, like the coverage that say the surge is working in Iraq, are selective and inflated. They are aimed more at influencing perceptions than providing truth.

My questions: How do they get away with this? Why does the market buy it? Why does the press do it? And what are they leaving out?

Businessman and financial analyst Eric Janszen says our economy is increasingly showing the features of a Banana Republic, with low-paid government and service jobs for all. He writes on his website iTulip.com that the private goods producing sector so vital to a sound economy is shrinking:

"Construction firms cut 14,000 jobs in September, Factories slashed 18,000. Retailers got rid of just over 5,000 jobs. Financial services companies eliminated 14,000 slots.

However, gains in education and health services, professional services, leisure and hospitality, and in government work more than offset those losses, leading to a net gain in new jobs in September."

Jobs in government now parallel jobs in the good producing sector, he reports, as the dollar is being depreciated.

"The magic of a depreciating currency is working," he writes. "Foreign investors are buying UBRA (United Banana Republic of America) stocks and other assets at fire sale prices. Tourism is up as visitors from Asia, Europe, Canada and all other countries whose currencies have appreciated... visit the US for a cheap UBRA vacation, driving leisure and hospitality jobs within the service sector where most of the job growth occurred."

And wages? They are not rising as fast as prices. His conclusion:

"Suppression of wage increases has been the centerpiece of monetary and government policy to manage inflation in the Production/Consumption Economy since 1980. Given the difficulty in acquiring legitimate measures of actual inflation rates in the US economy, there is no way of telling whether these wage increases translate into increased purchasing power. Given the rise of oil and other commodity prices, it seems doubtful. In fact, it looks like the UBRA is going full-bore banana republic, including wage and price inflation to maintain employment going into an election year."

So there you have it: politically influenced numbers, another reason not to trust the mainstream media and search out more thoughtful analysis elsewhere.

As the old saying holds, "Figures lie and liars figure." ●

A VIEW FROM EUROPE: FEAR OF A DISASTER

They are freaking out overseas

I was in Austria in late October talking about my film ***In Debt We Trust*** at a conference on democracy. On the way to the meeting inside a mountain used by the Nazis as a bomb shelter and weapons factory employing slave laborers, in WWII, I passed an Austrian Bank, Bawag that suffered $1 billion in losses in connection with a wall street scandal involving the looting of a firm named REFCO. (Refco was connected to that controversial investment by Hillary Clinton in Arkansas in 1978. She put up, if you recall, $1000 that turned into $100,000 in a year.) The Bank has since been sold while court cases continue.

I was talking about the subcrime scandal touched on in my film. The press there is very aware of it and worry about its fall off. The International Herald Tribune in Paris put the story as its lead on page one. This was the headline: "EUROPE FEELS CHILL OF SUBPRIME FIASCO. Economic Forecasts Show Continent Still Vulnerable."

The Financial Times published in London, went further in an editorial titled "CREDIT SQUEEZE – THE DISASTER MOVIE." They compared the credit "squeeze" (does that term sound familiar) to "the plot of a hundred disaster movies." They said:

"The longer this goes on, the greater the risk to the real economy." I enjoyed this because months ago, CNN Money compared In Debt We Trust to the horror Movie Carrie commenting my documentary is 'even scarier." The Economist compared the subprime scandal to a "toffee apple with a maggot at its core." All of these news outlets say this scandal is not going away anytime soon."

Paul Krugman commented in the New York Times:

"Maybe the subprime disaster will be enough to remind us why financial regulation was introduced in the first place." Interesting that he – a Princeton economist as well as an op-ed columnist calls this crisis a "disaster." ●

NEEDED: A MILITANT CAMPAIGN FOR DEBT RELIEF

As you enter the rustic Stage Coach Inn adjacent to the chintz-free Race Brook Lodge in the beautiful Berkshires of Massachusetts, you are confronted by large portrait of a soldier in an unfamiliar uniform. No, it was not one of the historic anti-colonial Blue Coats who helped defeat the British Red Coats in the Revolutionary War. This image belonged to a different type of revolutionary – a revolutionary opposed to how the American Revolution had betrayed its promise by enriching the propertied class at the expense of the farmers.

At the center of that insurrection was debt – the excessive debt Americans owed to European Banks (and one of the grievances of the Revolution) and a debt the new American confederation owed to the men who fought for it.

The soldier on the wall was part of a revolt led by Revolutionary war veteran Daniel Shays who took up arms in defense of some 2000 debtor farmers in Western Mass then facing unjust foreclosures of their mortgaged property. The year was 1786. The State legislature had passed a debt relief statue to postpone the foreclosures caused by a 60 percent hike in land taxes.

But when the State Senate, in the behest of wealthy creditors (ie, Boston banks) rejected the law, Shays and the soldiers he inspired fought back. Sadly, the Shays Rebellion, as it is now known, was put down by force, and soon a new federal constitution was created to enshrine property rights over human rights.

Today, there has yet to be a repeat of this great populist uprising but with two million families now facing foreclosure in the aftermath of what should be called the "SubCrime," scandal, protest and resistance is likely. Many credit-poor families were seduced into buying homes with so-called sub-prime loans (pricier than most ordinary loans) that the lenders knew they could not afford. They are now caught in a squeeze that could cause far more homelessness than Hurricane Katrina.

And not only them. Financial markets are melting down. Hundreds of billions of dollars had to be "injected" to keep them afloat. 136 companies have "imploded so far." Thousands in the housing industry are out of work. Economists fear a serious recession and are scaling back their projections for growth.

How was this allowed to happen? Unrestrained greed and unregulated chicanery drove a predatory lending industry sanctioned by prominent Wall Street firms who made millions recycling mortgages into "securitized" pools of debt which were used to provide financing for even bigger deals. It became a classic "the emperor has no clothes" story when it was revealed that many of the "assets" backing those "Asset Backed Mortgages" had no real assets behind them. Suddenly the paper proved worthless and the markets panicked.

While the Federal Reserve Bank seems to be bailing out the bad guys, the Congress is discussing how to protect the families who have been the real victims. So far, all the proposals on by Democrats and Republicans are tinkering with the problem rather than confronting it.

Presidential politics is driving both Democrats and Republicans to put this issue on the agenda. As the New York Times reported: "Democratic presidential candidates and Congressional leaders have hammered the administration in recent weeks, charging Mr. Bush with indifference to the plight of an estimated two million homeowners whose mortgage costs are expected to go up in the next year and a half."

And so the President responded with a series of modest, limited and compromised proposals which he has uncharacteristically said he wants to work with Democrats on. Imagine that?

One expert quoted by the Times notes – at the end of the article of course:

"...all the efforts would likely only have a limited impact, given the number of loans resetting to higher interest rates in the coming months.

So there you are: a major crisis, impacting on people who can least afford it and a tepid and insulting response from on high which they know does not rise to the level that's needed.

We need the media to put this crisis in a larger context and stop focusing on the woes of wealthy speculators and show the economic pain of ordinary Americans.

Where are the voices in America like the ones we have heard in Africa for serious debt relief? On the Continent, many religious leaders led this fight. But so far, most have been silent in our country.

We need to demand a moratorium on all foreclosures until we have a full investigation of the discriminatory (i.e, illegal) targeting and deceptive marketing by shady mortgage companies in collusion with investment banks and hedge funds. Barack Obama has called for fines against these merchants of misery. But does that even go far enough? Should these firms be bailed out or jailed out. We need indictments. We need investments in housing and massive paybacks by the financiers who enriched themselves at others expense. In the spirit of Daniel Shays, we need a militant campaign for economic justice.

Beyond that, we also need tougher regulations of the whole credit industry including credit card debt, payday lenders, etc. to end the predatory practices that have now put the whole global economy in jeopardy. ●

HUMPTY DUMPTY RIDES THE WAVES ON WALL STEEET

Try as they can, the bankers can't "fix" the subprime disaster

Humpty Dumpty Sat On a Wall
Humpty Dumpty Had a Great Fall
All the King's Horses, All The King's Men'
Couldn't Put Humpty Together Again

November 4, 2007: But they are trying, aren't they? After the markets went ballistic last summer in the wake of the disclosure of the Subprime "infection/contagion," bankers have been trying to fix this pernicious Humpty Dumpty and restore confidence.

Haven't they ever?

First there was jaw-boning and tsk-tsking as the captains of finance capital and big bankers finally woke up and warned of the danger blaming everyone but themselves. Then, the pundits started lecturing, calling for higher standards of transparency, closing the barn doors after the horses were gone.

Finally, the bailouts began.

The Federal Reserve Bank stepped up to the plate and swung a mighty bat by "injecting" billions to calm the volatility. Soon, other central bankers, at their behest, were in the game too with hundreds of billions of their own from Europe, Japan, Australia, and even China.

The result: Not much. Panic percolated. More lending companies "imploded." (The total is now 181). It seemed certain that over two million families faced foreclosure and inflation was beginning to raise its ugly head. The dollar was dropping and real well-paying new jobs were not on the horizon. (The French President Sarkozy warned of "economic warfare" if the U.S. didn't stem the slide of the dollar.)

The next panacea was interest rate cuts. Surely that would do it. With much fanfare and a push from the press, from Jim Cramer ranting on CNBC to more sober heads wagging approval in the mainstream media, first the bank lending rate was cut and then the interest rate. The cut was 50 basis points, twice what was expected. Wall Street was ecstatic. The market partied and stocks rallied. The next day, when the hangovers wore off, it dove again.

The subprime menace was still there in the morning. Soon, the banks were forced to review their unbalanced sheets, and, one by one, reported billions in write-downs. Billions! What was clear is that the greed had got them too – they were all stuffing themselves at the trough of predatory lending. They were all complicit.

And in fact, as CNN reports, there is more to come from their binge and purge behavior.

As one blogger summed up: "The 'Fat Lady' Has Not Sung Yet."

"First estimate I have seen about losses in Q4. From CNN.Money: Banks are likely to mark down another $10 billion of mortgage assets in the fourth quarter, according to one analyst's estimates. Merrill Lynch and Citigroup are expected to be hit the hardest.

"Mayo estimated each bank would write down $4 billion in the fourth quarter. He said Bear Stearns, Morgan Stanley, B of A and Wachovia are also likely to take markdowns. "Banks have taken massive hits from risky mortgage securities in the third quarter. Merrill Lynch wrote down $7.9 billion, and Citi took a $2.2 billion markdown due to mortgage-backed securities and credit trading losses."

His conclusion:

"The pain from the subprime wipeout isn't likely to abate anytime soon."

Bear in mind, the banks created these problems by lowering their standards and working in collusion with the alchemists at the ratings agencies to turn their junk into gold.

Then, Treasury Secretary Paulson had a revelation: create a private Superfund with $200 Billion. In the end, three big banks could only come up with $75B, but many experts derided it as just PR that cannot cure the crisis. Oops.

Knowing this, what did the Fed do? Cut interest rates again last week supposedly for the last time. And again, there was a one-day rally followed by a major drop. Nothing changed. In a Detroit paper, Gail Marks Jarvis compared the Fed's action to a "teaspoon of tonic," explaining:

"The incubation period for economic remedies and problems is

often six to 12 months, and the economy could be sickened by more than tumbling home prices and the potential that house-poor consumers might not spend much."

Bill Fleckenstein of MSNBC went apoplectic calling the cut an "act of desperation" comparing it to "using an applause meter to run the central bank." He asked:

"Why in the hell was the central bank easing the federal funds rate with (1) the dollar at a new low, (2) oil at $90, (3) gold at $800, (4) virtually every commodity on the planet going wild and (5), despite government statistics to the contrary, inflation raging?"

Ah yes, statistics. Some new jobs figures were trotted out suggesting a 166.000 new job uptick. Sounded good? Nonfarm payroll employment was said to have risen by 166,000 in October, and the unemployment rate was unchanged at 4.7 percent. Huh – employment rises but unemployment doesn't?

But a blog called Predicto dissected the numbers, disclosing that the Bureau of Labor Statistics was estimating, not reporting.

http://predicto.blogspot.com/2007/11/not-saying-told-you-so-but.html

"Now, just how much of it was created by the CES Birth-Death Model, which statistically supposes jobs created? Try 103,000 for October. A true skeptic would say 166 thousand new jobs, backing out 103 thousand CES Birth/Death Model estimated, leaves a real gain of 63-thousand, but any port in a storm, right? And the 'engineers flipping burgers' report, Table A-12, category U-6 stayed steady at 8.4%. Predictably.

"And while the government is telling us on the one hand how good things are, I can't help but notice that Chrysler is slicing one job in three, with another 12,000 about to get axed. I'm not expecting this to show up as a noticeable blip on the Mass Layoffs report, though. Statistical series which have been historically noisy have all quieted down. All coincidental, I'm sure."

Real analysis and understanding on this crucial issue is missing like the 50 Million "Missing Americans" profiled by Bill Moyers, on

PBS, who described a vast class of Americans who are suffering in our economy but are rarely in the news:

Author Katherine Newman explains,

"The missing class are families that are above the poverty line, but well below the middle class. So they earn about $20,000 to $40,000 a year for a family of four. The federal poverty line is $20,000. They have multiple jobs. Both as individuals and in their households. They often have to press their children into the labor market and pool that money so that their households can maintain themselves above the poverty line ... They work every hour that exists. And sometimes that means they're not around very much for their children. Because they can't stay above the poverty line unless they put in many, many hours."

Many of these "missing" were the people targeted by the predatory lenders.

So far, in the markets and for millions, there's no way out. Manipulated information and illusion drives policy at home as in Iraq. We won't see what we think it is not in our interest to see, and we can't report what we don't see.

And the circle of denial is closed. ●

CHAPTER 4

The Story of "In Debt We Trust"

Documentary filmmakers believe in the power of our work to inform the public and move people to act. That was why I made In Debt We Trust. I was fortunate to find an investor willing to pay for the film. Our biggest challenge was not making it but distributing it in a country where even Michael Moore had problems getting his latest picture, SICKO into as many theaters carried his Fahrenheit 911. There are many reasons for this that can be situated in the entertainment industry and its hostility to critical and issue-oriented films. I explore them in more detail in my book on my last film WMD, When News Lies (Wmdthefilm.com)

Our strategy in getting this film seen is to create a campaign alongside it. See the websites InDebtWeTrust.Com and StoptheSqueeze.org for more on what and why we are doing it. Here's some essays I wrote about making and distributing the film

USING A FILM TO SPARK A CAMPAIGN

New film calls for a citizens' campaign for debt relief

Here's a number that's not hard to forget: 3 out of 5. That refers to the number of Americans in debt. If I still worked in TV News, my boss would remind me that to get information across, you have to tell the audience what you are going to tell them, then tell it, and then repeat what you just said. For abbreviation's sake, I will just repeat myself once: 3 out of 5 Americans are in debt.

Ever since I finished a documentary on the subject, ***In Debt We Trust*** (InDebtWeTrust.com) I keep encountering what are called "topper stories" whenever I talk about the issue. A topper story is when someone listens to you, or sees the film, and responds with the phrase – "If you think that's bad, let me tell you about my brother, my son, my grandfather etc, etc. "Every one in America has a debt story because we are all living, one way or another, on credit. But the biggest "Topper Story" has come not from the masses, or the media but from that holiest of American institutions, they who we are told can do no wrong – the Market. Its guardians and marketing mavens are the ones that convinced us that we could have it all, if not with cash, then with credit cards. All we had to do was charge it!

Now those wise men of American finance, are in a state of high panic because the housing bubble burst and their "sub-prime" loans that fueled our economy and funded a crazed wave of acquisitions, mergers and buy-outs with "assets" that have been shown not to be worth the paper they are printed on.

Explains the London based journalist William Bowles:

"Ostensibly the problem was caused by what are termed loans in the 'sub-prime market', which to you and me are bad loans made to people who cannot afford to pay them back, primarily for mortgages which the rise in interest rates have made them too expensive for the unfortunate house 'owners'. These loans were made by commercial banks in the US who are now saddled with losses totaling billions of dollars and it filed for bankruptcy the other day.

"So what's going on here? We are told that left to itself, the 'mar-

ket evens things out', supply and demand all that garbage so why are governments intervening? Aside from anything else, if governments don't intervene, the entire order would collapse ...."

In part this was "the bubble" that ***In Debt We Trust*** warned about. But when you are in a company raking in the dough from what prove to be fraudulent, even criminal practices, who has time for warnings or realistic assessments? One banker at Goldman Sachs, the go-go Wall Street firm, acknowledged to me that they should have known. "Should have, would have, could have." Right!

LOANS R'US

Americans live on borrowed money. Our country owes nearly ten trillion dollars. There is more than another $7 trillion tied up in mortgages. And then there are credit cards. When we are not being bombarded with solicitations, at home, we are charging up a storm at rates of interest once considered usurious. And along with that come the inescapable late fees that run into billions. And then there's that annoying reality that almost no one saves any more. Our national savings rate is below zero. The last time that happened was during the depression.

Our government understands how bad the situation is. The Government Accountability Office in a report in September 2006 warned it is getting worse, much worse. No one listened to them either.

Listen to this:

"Over the past 25 years, the prevalence and use of credit cards in the United States has grown dramatically. Between 1980 and 2005, the amount that U.S. consumers charged to their cards grew from an estimated $69 billion per year to more than $1.8 trillion, according to one firm that analyzes the card industry.1 this firm also reports that the number of U.S. credit cards issued to consumers now exceeds 691 million. The increased use of credit cards has contributed to an expansion in household debt, which grew from $59 billion in 1980 to roughly $830 billion by the end of 2005."

Ok, I hear you saying, "Stop already with the numbers. If I can barely understand my own financial plight, how can I wrap my brain around so many zeroes?"

If you resonate with that sentiment, you are not alone. It is virtually impossible to even read a credit card agreement with its small print and convoluted legalistic language. More insidiously, the credit card companies can unilaterally change the terms of the deal EVEN AFTER YOU SIGN IT. Sometimes, when you are late on one account, all of your interest rates go up through a nifty little arrangement called "Universal Default." That's because we are all wired together. The supercomputers at the Credit Score Bureaus have more information on us than the CIA.

Our government knows this too. That GAO report explains:

"As credit card use and debt have grown, representatives of consumer groups and issuers have questioned the extent to which consumers understand their credit card terms and conditions, including issuers' practices that – even if permitted under applicable terms and conditions – could increase consumers' costs of using credit cards. These practices include the application of fees or relatively high penalty interest rates if cardholders pay late or exceed credit limits."

And on and on.

These rules guarantee that the credit card business is super-profitable. The companies get away with it by high-powered lobbying to deregulate the industry and, through political donations that insure the election of politicians will do their bidding. Taken together, these practices – and there are many more even shadier ones – are set up to transfer money from your pocket to their vaults.

In other words, the biggest bank robbery in America is now being carried out by the banks and the financial sector with the complicity of Congress, politicians and a compliant media that likes to cover stories on identity fraud of individuals but not by grand thefts by institutions.

As a filmmaker and investigative journalist, I know that the popular way to tell this story is just by profiling victims. We have all seen those 'character-driven' stories with the tears that make them emotional and "good TV." Many people don't want to be on these reports because they make them look stupid and as if getting in over your head is always your fault. ABC's John Stossel did a whole

20/20 show blaming debtors for debt.

Of course, it's often impossible to live in America without credit and credit cards. Debt has become our real currency. Sometimes getting in debt by over spending or falling behind is the borrower's fault. In a country fueled by consumption, everyone wants the latest of everything. And that costs money. When you don't have the cash, you can use the card. How simple – they lend you the money up front to buy what you want until the bills come due of course.

As a result, we have become a nation of scammers – scammers in suits on the lending side and scammers at home as borrowers scramble for the best deals, moving money on to zero percent cards or looking for cheap mortgages which often quickly become unaffordable. More than a million homeowners now face foreclosures in part because they didn't undertstand the "great deals" they were taking.

I wanted my film to go beyond the obvious stories of pain and distress to look into what is behind all of this, to analyze the special interests that have restructured our economy over the years from one based on production with the factory as its icon into a consumption based system with the mall as its epicenter. These are the people who have used debt as a way to make money and pressed the government to borrow from abroad.

As I pursued that story, I put in the context of a process called "financialization," which translates into rule by financial institutions, and the growth of a credit and loan complex every bit as powerful as the better known military-industrial complex.

In short, this didn't just happen. It was planned and organized with dynamics that are not very well understood by the public at large. It reflects the growing power of the private sector, the increasing power of corporations and the market system as Wall Street became far more powerful than Main Street in an age of mergers and big business consolidation.

In Debt We Trust seeks to explain this by looking at various aspects of the debt trap – from students leaving college with 40,000 in debt to sleazy practices by credit companies, to the passage of a new bankruptcy "reform" bill that makes it hard for individuals to get a second chance does not limit business reorganizations, to the rise in interest costs and the spread of predatory practices so that poor people, including large numbers of military service members become dependent on payday lenders, tax refund joints, and Rent-to-Own stores. Those who can least afford it end up paying more for everything while living on the edge of survival as inequality grows and the middle class shrinks.

Is it any surprise that this story is not being told adequately in our media? The credit card companies alone spend over two billion dollars in marketing and advertising. No wonder documentaries like mine have a hard time being seen. The entertainment business is itself dependent on loans and even big film festivals like the one at Tribeca are totally dependent on American Express.

We need to educate the public about the deeper forces at work and the need for structural changes in our economy, urgent political reforms and new consumer protections. We need to stop restating problems and start exploring solutions including debt relief.

In the new social conflict between lenders and creditors, financial institutions function as well-organized collection machines while individual borrowers are forced to react as individuals. Many are browbeaten with lectures about "personal responsibility" by corporations that only pay lip service to any form of social responsibility while compensating their own executives with obscenely high salaries.

My film, ***In Debt We Trust***, seeks to focus attention on what consumers can do to fight back. Robert Manning, author of "Credit Card Nation," explains: "If ten percent of American credit cardholders withheld their monthly payments, it would bring the financial services industry to a standstill.

> *"At a larger issue, what we have to do is to get people involved at the state level, get their state attorney generals involved, aggressively filing class action lawsuits and then putting pressure on key legislators to say, 'This is unacceptable that they're not representing and balancing the issues of commerce with consumers. The balance is tilted dramatically against the average American.'"*

We need to fight for debt relief in America the way that Bono and others are pressing for debt relief in Africa. Our film is encouraging and organizing and education campaign and the on initiatives like Americans For Debt Relief Now that are setting up community, church and grass roots house party screenings of the film ***In Debt We Trust***. You can find out more on the website "Stop the Squeeze.org."

It won't be easy to stop the squeeze but unless we try, we are going to end up like modern serfs paying bills that never go away. As the housing bubble bursts, the credit bubble may be next. ●

SCREENING AT FESTIVALS

June 27, 2007: I was at the Nantucket Film Festival this past weekend, in the place where I first previewed IN DEBT WE TRUST a year ago. I was happy to run into people who were still talking about the film, and asking about the progress we are making in getting it screened. One young man came up to me and said, "I just want to thank you. I saw the movie last year and when I recently opened a bank account, they tried to sell me credit cards. Thanks to your film, I said no."

Testimonials like that are the most rewarding part of independent filmmaking – the sense that audiences appreciate your film and find it memorable enough to reference a year later after being inundated with so many other movies.

The truth is that for every person who sees ***In Debt We Trust*** and takes its wake-up call seriously, there are millions who buy into the ads and gimmicks by credit card companies. I have recently noticed a trend by these companies to re-brand themselves: Citibank becomes Citi, for example, at great expense. Chase Manhattan became JP Morgan Chase, and as a national bank instead of a mere local institution, it is now exempt from many regulations, including rules that allow them be sued. Now they are also re-branding their customers as Cardmembers, as if we are all in a warm and fuzzy club. American Express, for example, welcomes ideas from its card member "community" for an innovative "save the world" project that they will commit $5 million for. And they have a great director like Martin Scorsese and a gaggle of celebrities to show us how cool they are too. (One cause they don't support is more regulation of the credit card industry.)

American Express is one of the pioneers of cause-related marketing. I remember years ago when I worked with the late inspirational Anita Roddick who had turned the Body Shops into a global phenomenon. She was almost religious in her opposition to advertising that she saw as manipulative and deceptive. But, then, she was approached by American Express to become the subject of an ad that would give her a chunk of money for a cause she supported. She was promised editorial control over its look – an important consideration for a beauty-promoting business. Anita wrestled with the dilemma and contradiction for about thirty seconds and then agreed. They made a cool ad, and did benefit a good cause. But it also sold credit cards with a special appeal to those of us who tended to admire her while being skeptical, if not opposed, to the machinations of big business. It helped them soften, or as we say these days, "green wash" their image, as in promoting the idea that, "if American Express promotes a socially responsible businesswoman like Anita, how bad could they be?"

Clever! It is a deliberately seductive business and works on our Subconscious minds as bankruptcy lawyer Charles Juntikka explains in In Debt We Trust. If you want more info on all the extensive market research and focus group monitoring that guides this advertising, read Professor Robert Manning's excellent book Credit Card Nation. (www.creditcardnation.com)

This marketing never stops and it gets savvier by the day. How do we fight back when many of us need cards for convenience, travel, car rentals etc? The credit card becomes one more thing in life that we know is bad, or could be, and yet we succumb to their convenience and convince ourselves they are needed. (I know, because I do.)

We are beginning to work with AFFIL (www.Affil.org) – a coalition of organizations crusading for better lending practices and more consumer protections. You hear from some of the member groups of this coalition in the film – respected groups on the front lines of this fight – The Consumer Federation, The Center for Responsible Lending, ACORN and others. Visit their website for ideas on how we can solve this mess. Visit the neighborhood Assistance Corporation of America (NACA.com), an activist agency, offering low cost loans and fighting predatory lenders.)

To our delight, many people in the debt relief industry – companies that provide counseling and consolidation services – like the film and want to share it with their customers and potential customers. They believe it will shock and stimulate people to get involved. We have produced a new thirty-minute version for them to distribute and promote on their websites. These are some of the biggest names in this business. To find out how your company or website can take part in our affiliate and partner programs, write to ilan@docworkers.com. ●

GRASSROOTS DISTRIBUTION

When I started making ***In Debt We Trust***, I knew the credit squeeze was a big problem and that an audience would resonate with my film if we could get it seen widely.

Now, after a few months of showing the film around the country – at festivals, in theaters, on campuses and at other venues, I realize I UNDERESTIMATED the need for the information and message we are offering.

The response is not just enthusiastic: its often emotional, personal and raw as if seeing the documentary gives people "permission" to speak publicly about an issue most of us are very private, if not secret about, Money! Many people don't want to talk about their debts because they feel responsible for them, for responding to credit card solicitations, for running up big bills, and for getting into unaffordable mortgages. They blame themselves, unaware that they have often been targeted by deceptive advertising by modern loan sharks in an economic environment where buying things has become more important than making things.

A year ago, even close friends counseled me to pick another topic because this one was a non-starter – complicated, and hard to engage viewers with. It did seem remote, stuck back in the business pages and comprehensible only to a few. Today, all that has changed. The debt crisis is page one news because it has triggered a housing meltdown that has brought the economy to a major slowdown.

Everyday, there are stories about the wave of foreclosures that threaten TWO MILLION families with the loss of their homes. There are exposes on corrupt student loan practices and hearings in Congress and at the State level about outrageous credit card interest rates and predatory practices.

As the price of gas goes up, as virtually all costs creep up, Americans (and people in other countries) are in a squeeze. There's talk of an impending recession as the value of the dollar drops. Wall Street experts are projecting a "global bubble: even as they take the money and run, (Goldman Sachs gave out 16 billlion dollars in Christmas bonuses last year.) The gap between the super rich and everyone else is growing.

That's why ***In Debt We Trust*** is so relevant. It helps explain why this is happening and discusses what we can do about it.

We are being bombarded with calls and inquiries from all over the country. A former civil rights leader in Mississippi called to tell me about "mortgage flipping" that is driving up the foreclosure rate all over the South. A student wrote me for suggestions on how to get out of the noose his loans have tied around his neck. I showed the film twice at the annual conference of the National Association of Consumer Bankruptcy lawyers and heard tales of more economic pain and the ways that the new Bush "reform law," passed last year by Congress on a non-partisan basis, makes it even harder for people to discharge their debts and get a second chance. They loved ***In Debt We Trust*** and promised to get it out to their clients and communities as part of debtor education.

I feel like a yo-yo – going here and there, I was at Washington State one month, New Mexico the next. I discussed these problems at an international Student Conference in Germany and then showed the film at a big festival in South Africa. ●

PRESS RELEASE: ANNOUNCING OUR CRUSADE

Theatrical and grassroots distribution launched as DocWorkers joins Globalvision to put the debt issue on the national agenda

New York February 22. A New York Times editorial today issued an alert: "If the bankers, investors and regulators who populate the global financial markets are not already anxious, they should be… The odds of a global financial crisis are still low, but they are rising."

When one of the world's top newspapers warns of debt-driven global financial instability, the rest of us must pay attention. Globalvision's new film ***In Debt We Trust*** goes behind the headlines to explain why all Americans must be alarmed by growing numbers of bankruptcies and home foreclosures, mounting student debt and usurious lending practices by credit cards and Pay Day predators.

"Only the business pages so far are exploring this major crisis as big banks like HSBC suffer major losses," says ***In Debt We Trust*** director Danny Schechter. "We made our film to put these issues on the national agenda because so many Americans are unable to make ends meet. It's too easy for individuals to blame themselves without knowing who is really to blame."

Globalvision is responding to this challenge in three ways:

The company is partnering with the LA-based distributor Doc Workers to book the film in theaters and launch a national campaign - "Americans for Debt Relief Now."

A new campaign website, www.StopTheSqueeze.com, will coordinate a grassroots distribution effort through house parties, church, university, school and community screenings and in local venues.

Professor Robert Manning of Rochester Institute of Technology, the nation's foremost authority on consumer debt issues, and the filmmakers will launch a national petition and educational campaign in coordination with hundreds of educators and organizations. ●

THE FAILURE OF LIBERAL ACTIVISM

As I tried to distribute ***In Debt We Trust*** and spark interest in the issue, I found inertia, disinterest and occasional lip service from the very activist media outlets and organizations I assumed would engage with the issues I was raising.

The war remained THE issue for radicals and the liberals had been sucked into the presidential campaign, which had begun a year earlier than usual. Stories of corruption and controversy out of Washington seemed a lot sexier than complicated economic issues tied to Wall Street and our economy. Most unions were fighting for their lives and some were selling credit cards, not challenging them. The shift in the economy from production to consumption – driven by credit and debt – did not seem to change the way they did business.

Advocacy groups remained an adjunct to the Democratic Party when it came to activist campaigning and were supportive in theory but silent in practice when it came to tackling them. Not surprising we were to learn later that John Edwards, the one Presidential candidate who was raising economic justice issues was himself invested in a fund that financed sub prime loans. Other canddiates, however, such as Barrack Obama and Chris Dodd did speak to the issue. Hillary Clinton, who raised a ton of money on Wall Street, was mostly silent.

I saw these conflicts at a national conference in Washington to mobilize the progressive agenda. Going there inspired me to write the next essay. ●

ECO JUSTICE FIGHT NEEDS TO GO BEYOND UNION FIGHT TO ORGANIZE

Can we "Take Back America" without confronting the debt crisis?

The buses were arriving as I was leaving the Take Back America conference Tuesday afternoon in Washington to bring delegates and activists to Capitol Hill to join union members rallying for passage of the Employee Free Choice Act, which was being debated in the Senate.

According to one report: "Defying 97-degree heat, heavy humidity and a planned Republican filibuster, several thousand workers and their allies rallied in Washington Tuesday to demand the Senate pass the Employee Free Choice Act."

The bill's passage was far from certain as labor fights an uphill battle for its survival and the right of workers to join unions. This issue is one of many that is critical to Democrats who want to take the government back because unions have long been main funders and grass roots energizer of the party.

Writing on TomPaine.com, Dmitri Iglitzin reprised labor's challenge and eroding position.

> *"In many ways, the lack of overwhelming support for EFCA is surprising. Under current law, workers who want to form a union must currently undergo a risky, grueling and time-consuming "pre-election" period that culminates, if they're lucky, in an election held under the auspices of the National Labor Relations Board (NLRB). If they're not lucky, the workers are instead fired or otherwise discriminated against. One recent study, conducted by the Center for Economic and Policy Research, found that about one in five union organizers or activists can expect to be fired during the pre-election period.*

Should the workers succeed in unionizing, moreover, their chances of ever obtaining a collective bargaining agreement with their employer are grim. According to the Federal Mediation and Conciliation Service, a federal agency, nearly half of newly organized bargaining units fail to negotiate a first contract within two years of a successful organizing drive. The result of these barriers to successful unionizing is manifest in the steady decline of union membership, now 12 percent of the workforce (7.4 percent in the private sector), down from 20 percent in 1983 and 35 percent in the 1950s."

It's not surprising that in a corporate dominated country, labor has to struggle endlessly for its rights. Leading the fight against the bill are big lobbyists fueled by big money. According to the AFL-CIO, these groups hide their special interests by claiming to be champions of democracy in the work place, and never revealing their economic interests in the issue. Here's what the battle turns on, according to the Center for American Progress:

> *"Under current law, an employer can insist on a secret-ballot election, even after a majority of employees express their desire to organize. The proposed law "would give employees at a workplace the right to unionize as soon as a majority signed cards saying they wanted to do so."*

Suddenly, business interests which usually line up against extending more democratic rights in the society insist on it for employees knowing they can intimidate them to vote against unions. Those well-known guardians of democracy, the Chamber of Commerce, spent a record $72 million on lobbying. VP for labor policy Randall Johnson told The New York Times, "We've targeted [The Employee Free Choice Act] as our No. 1 or No. 2 priority to defeat."

But there is something more profound underway here that neither the unions nor the activists that rallied to support them seem to connect with: the fact that our economy has changed fundamentally from one built around production in factories to one spurred by consumption at malls. It is easy to see workers getting targeted as a group but harder to understand how we as consumers are under a more profound economic attack. As privatization sweeps through the society, there has been a privatization of economic pain.

As jobs are outsourced and unions shrink, there are new and often silent battles being fought in our post-industrial society that most politicos and unions don't seem to understand or relate to. Economist Michael Hudson explains it this way in my film:

> *"People have difficulty realizing that the new economic conflict in*

our society is between creditors and debtors. There's still a tendency of many left-wingers to think in terms of the class war and the wars between employers and employees. But the real economic war, where all the money is being made is between creditors and debtors because that's the free lunch."

No wonder that financial institutions and real estate companies are now the leading source of political money. Their influence steers politicians away from protecting consumers as we saw when, and as my film reveals, $151 million was spent on lobbying on the bankruptcy bill that was passed with bi-partisan support. So when it comes to money issues that matter, the Democrats are as much a part of the problem as the Republicans.

You just can't see the world or real power through a narrow partisan lens as much as you may want to. I have also been unsuccessful so far in getting unions to show the film, even though I spoke with some prominent leaders who agreed that the issue is important and that their members are hurting. Perhaps their reticence has something to do with revenues they depend on from union credit cards.

Jonathan Tasini explained in his blog that there is a lot of credit card money fueling the labor bureaucracy, "the AFL-CIO pockets $25 million a year from the deal with Households Bank."

How do we get the presidential candidates to start talking about the nearly $3 TRILLION dollars in consumer debt, and the mounting trap that this leads to for so many families? CommonDreams.org just ran a report explaining that thousands of liberal young people can't take time off to get involved in politics because they are working overtime at lousy jobs to pay off their student loans and debts. And what about the millions of Americans who have turned their homes into ATM machines through equity loans in order to pay bills? When those loans run out after the equity is gone, what do they do? Two million families face the foreclosure of their homes this year from practices like this and predatory subprime lending abuses.

And what about those Americans relying on pricey payday lenders and check cashing joints?

In the name of economic justice, we must add the demand for debt relief to all of our other concerns. We can't just take America back from the Republicans without also taking it back from the banks, hedge funds and predatory lenders.

Throughout American history, debt has been a key issue. It was one of the problems that led the colonists to revolt against the British. Main Street has been struggling for liberation from Wall Street for decades with waves of populist movements that won many reforms and a better life for millions. Just as there are business cycles, there are cycles of protest. Why are our political parties submerging this issue?

Conferences in hotels may help promote political focus, but it is in the streets outside the beltway, not in the suites within it, where change has to happen first. Political races matter but they are not the only road to transforming a society in which economic inequality is deepening. ●

UPDATE: The organization behind the conference did organize a well-attended screening of In Debt We Trust on Capitol Hill, but little came out of it.

CHAPTER 5

Debt as a Global Issue

Debt used to be a problem we read about in other countries, especially poorer ones in Africa.
Now, it is clear that it is a global issue

THE CRISIS IS GLOBAL

My own interest in the debt issue in America stemmed from what I knew about how debt was used to make developing countries dependent on former colonial powers. My ideas for a campaign for debt relief in America was inspired by the fight for debt relief in Africa. In the course of promoting ***In Debt We Trust***, I traveled to South Africa, Europe and Australia and wrote about how debt is a global concern.

As I tracked the growing debt crisis, I realized that its impact was international. I have yet to see a list of how much money was lost by overseas banks who were suckered into investing in what they were told were lucrative "asset-based securities." They too were convinced to invest on the basis of false representation, buying up securities that rating agencies had not studied and banks had not verified. Central bankers worldwide were forced to put up billions to defend their markets as well.

A website called Vigilant Investor reported on which banks pumped a reported and whopping $460 billion in one week into the markets "in order to allow the big players to avoid selling off otherwise healthy assets in order to cover for heavy losses related to the unfolding housing debacle in the U.S. lead over the cliff by subprimes."

Here's their rundown:

Central Bank	**Amount**
US Federal Reserve	$86 billion ($48 + $38 repo's)
European CB	$230 billion
Japan	$100 billion
Australia	$42 billion

Many bankers in Europe were shocked by the lapse in normal lending practices, and spoke out about the crisis. 3,5% of Bank of China securities were affected. The Industrial and Commercial Bank of China admitted holding $1.23 billion in securities based on subprime mortgages.

Will these overseas banks seek to retaliate in some way? Like their American counterparts, they have a self-interest in stabilizing the system, not destroying it. But these developments will not bolster confidence worldwide in US financial practices. ●

VISITING SOUTH AFRICA

Durban, South Africa, June 27, 2007: South Africa has been one epicenter of change in the world. With the overthrow of apartheid and the emergence of its new economy, new problems have become visible. Political and racial apartheid may be gone but economic apartheid – a great gap between rich and poor – continues to fester with vast disparities in wealth and growing intractable poverty. Debt is emerging as a leading issue in this country as it is throughout the African continent.

Even as Nelson Mandela and his movement overthrew the shackles of a racist system, they found themselves as a matter of first business forced to pay off the debt of the government they replaced. The all white government had borrowed widely to try to keep the system of racial domination in place, and now its former victims and new victors had to pay off their obligations. What an irony.

Today South Africa is fully integrated into the market system with sprawling suburbs and giant malls. Consumption is a religion here like it is in the United States. Many writers here like M Matshilo Motsei write about the need to reintegrate moral values in a capitalist society driven by a "What do I stand to gain?" mentality as opposed to one that asks "what's at stake for the country?" She quotes several leaders decrying the "growing consumerist and materialist nature" of the culture. In which the ultimate outcome is "a breakdown of moral values fueled by greed, corruption and criminal activity."

Sound familiar? I am here to show ***In Debt We Trust*** at the Durban International Film Festival that features independent productions from 77 countries. It was an honor to have my film here since many films document problems caused BY the United States government, not IN the United States.

The first screening was packed and held in a regular movie theater in – of all places – a casino with rows of ATM machines on every wall sucking the money out of the endless streams of suckers that come there to get rich. In a way, it is a palace of debt of another kind.

I started the screening by asking the audience if they felt that ***In Debt We Trust*** was relevant there. And guess what? The audience almost unanimously said it was. Afterwards people raised questions and shared their experiences. The comments came from a Zulu woman who had lived in exile in the United States, a Muslim father concerned about materialism in his kids; a white activist who stressed the need for education at the primary level.

I came away feeling that we now need to promote the film internationally. (All ideas are welcome.)

I was told about a new consumer protection law and many organizations concerned about the issue that may want to show the film. What I saw was that this is a global problem and is slowly becoming a global issue. The organizers of the Festival did too, writing "the debt issue is an increasing global problem as more people buy into America's false dreams." I wonder: is it America that is to blame or is it our globalized and hyper-charged capitalist system controlled by a small number of financial institutions? ●

SOUTH AFRICA'S DEBT REFORM?

As we rail against and expose abusive credit practices – and my film ***In Debt We Trust*** offers many of the dirty details – we are often hard put to imagine how this problem can be addressed.

Recently, when I was in South Africa, credit abuses were rife. But as I was leaving, I read about a new National Credit Act that went into effect on July 1. It came about after years of organizing and struggling by a well-organized coalition of community groups, labor unions and political activists. In many ways it offers an example of what people can fight for and win. It was part of a campaign for the reform and transformation of the financial sector, which is dominated by four big banks. While it was not successful in all respects – the banks lobbied hard to compromise and water down some key provisions – it is a model in some respects of what we in America might adapt. The Debt relief movement has its origins in Africa and has mostly dealt with government debt, (In fact, the South has repaid its external debts to the North already).

South Africa has come up with new rules to restrain abuses of consumers. Here's what the National Credit Act Covers:

Prevent the reckless lending of credit

Preventing South Africans from taking credit without being able to afford it.

Monitoring of interest rates for all credit lending

Customers will be protected by the ACT

No more misleading and deceptive marketing by credit lenders will be allowed. For more information please go to http://www.nca.org.za or check out the National Credit Act.

As one South African website explains: "The Credit Act is there to prevent people from spending money they don't have. It's there to help the banks manage the massive CREDIT DEBT this country has and it's to stop RECKLESS LENDING of money by the banks. The act puts banks and other lending sources on the spot with possible consequences for them if they found to have advanced loans irresponsibly (responsible lending ACT). It's all to do with what's known as predatory lending practices. ●

AN OPEN LETTER TO BONO RE: DEBT RELIEF

Bono is in the news. (When is he not?) This time, the world's great rocker is being named to edit a special edition of Vanity Fair, the glitterati magazine that influences our national buzz machine and cultural zeitgeist. One of his stated missions is to offer compelling non-stereotyped stories about the fight against AIDS and for debt relief in Africa that compassion fatigued Americans will tune in to.

As he reaches out to touch an American nerve, I am reaching out to touch his. I am doing so in the spirit of Nelson Mandela, with whom I did five films, and who once surprised me at a press event by staring right at me and asking – with a big smile – "Remember Me?" I know Bono remembers me. In fact we were both at Mandela's big anti-AIDS concert in Cape Town some years back. I was filming it; he was starring in it. We had a long talk.

Our first encounter took place many years earlier. It was also South Africa-related but well before Mandela helped free South Africa. It was at one of the last recording sessions for the anti-apartheid record "Sun City" that I was helping to produce back in 1985. We were in the basement of a now shuttered famous studio in the Village, the one Jimi Hendrix once owned. Musician Little Steven Van Zandt invited Bono there to sing on the project. Not only did he agree, but he was inspired to contribute an original song.

He created and did a solo rendition of a song called "Silver and Gold" which brilliantly put the apartheid crisis in an economic context, making the connection between all the suffering in that country and its great wealth and exploitation in its mines. He understood then how important it was to challenge financial power. In fact, it was the sanctions campaign, of which Sun City was a part, that helped bring down that racist system.

Bono went on to become a high-profile champion of Africa, as an artist, diplomat, lobbyist and negotiator His eloquence, celebrity and Irish "moxie" enabled him to confront the rich and powerful from a mountain top in Davos to the General Assembly of the UN, from an outhouse in the bush of an impoverished African country to The White House and Congress, not to mention the stage of his sold out concerts and on every TV network. He has pushed, persuaded, cajoled, charmed and maneuvered the likes of Bill Gates. George Bush, and even conservative Senator Jesse Helms, to support debt relief and the fight against AIDS. He is a passionate campaigner. No one can say no to him

And that's why I am writing to him/you now. If you want to get Americans to show solidarity with Africa, show some solidarity with them. Lets make the issue of Debt Relief in America part of the global fight for economic independence in our interdependent world.

True, the impoverished former colonies of the Third World have it worse, with many sick and hungry people living in dire poverty, often on $2 a day. But suffering is relative and often causes the same misery, disease and despair where ever you go. Ask the homeless in America. Read about our own pervasive and growing poverty. You know there is a festering and neglected third world in the innards of every "rich" country.

And don't stop there.

Look at the millions who are trapped in a debt they will never escape from, almost like modern serfs. Read about all the outsourced jobs, the closed auto plants, the wave of foreclosures as the housing bubble bursting, the credit card crunch, the rise in bankruptcies, the students leaving college with an average $40, 000 in loans, and the billions in outrageous interest rates and all kinds of fees. This does not just impact the poor but increasingly the middle class and even those who felt it could never affect them.

Predatory lending is not just an African problem. It is global.

The press is predicting, "More pain is on the way" as big banks falter and the scandalous "Sub prime"-lending lending sector – recently considered the "hottest" in the industry – implodes. The bankers and economic wise men who have been denying any problem are singing another tune now as the stock market melts down and the underlying problems of consumer and government debt are seen as the threat they are.

A problem of personal security is becoming an issue of national security and global insecurity. In many cases, the same banks, investment houses and hedge funds are profiting off of the anguish of untold millions in every country.

So Bono, please find some space in your Vanity Fair issue to make it about more than vanity with ads for the affluent and photo spreads of the rich and sexy. Let's tie the issues together for American readers and African "victims" by recognizing our common humanity and the need to find common ground in fighting shared problems.

Linking the growing debt burden of Americans – and the better-known debt problems in Africa is a start.

We are working on this issue now and need your help. We have created a campaign called AMERICANS FOR DEBT RELIEF NOW (Stopthesqueeze.org) and are promoting a film called ***In Debt We Trust*** (Indebtwetrust.com) to raise pubic awareness. We are reaching out to give a massive but invisible problem more visibility and a sense of urgency.

In the name of love, Bono, and our shared values and common beliefs, will you help us get the word out on this effort, support us as we support you, and make the issues and promise of global economic justice a reality?

Let me know if you will help!

Danny Schechter, News Dissector

UPDATE: I received no response from Bono. He later spoke in October 2007 at the Mortgage Brokers of America conference in Boston as a guest of Countrywide Financial, a predatory lender. ●

WILL AFRICAN POVERTY BECOME HISTORY?

Edinburgh, Scotland, June 13 2006: Before the telegraph and the phone and the satellite, Africans communicated by drum, Today the email list and the web appeal is our new drum, communication that tends to take place outside the shadows of the media circus,

Partly that's because the western media tends to ignore and marginalize Africa even as NGO groups and development crusaders and rock stars like Bono and his ONE campaign have worked hard for years to put African debt issues on the global agenda.

According to the New York Times, an impressive 160 million people got involved in one way or another to press and pressure western governments to cancel billion dollars of debt that poorer countries can't pay. And lo and behold, this effort has literally hit pay dirt as Tony Blair, in a bid to improve his image and legacy has persuaded the G-8 countries to lift a debt burden from 18 countries worth $40bn (£22bn; 33bn euros).

George Bush whose policies towards Africa have been criticized for "benign neglect" has backed Blair and the USA has joined the debt burning party overseas. (This is the same Administration that lobbied for the new bankruptcy bill to insure than millions of Americans carrying $800 billon in credit card debt cannot do anything but pay through the nose. And never mind the escalating U.S. national debt.)

The initial reaction to what seems to be an act of western compassion and benevolence is encouraging. The press coverage seems all-positive with Bono and Bob Geldof praising it. "Tomorrow, 280 million Africans will wake up for the first time in their lives without owing you or me a penny," said Geldof who is organizing the Live 8 concert, which is being criticized for a lack of black and African performers.

BBC reports: "Anti-poverty campaigners have also welcomed the deal – but say they want more nations to benefit."

Says South Africa's Archbishop Tutu: "It is a splendid start and one hopes that they will, from here, go on to cancel all debt for most of the countries – I gather it is about 62 countries – who are heavily indebted."

Adds the BBC: "Ugandan Information Minister Nsaba Buturo - whose country will benefit immediately – told AFP the decision was "commendable," but added: "It's something that should have been done yesterday." Ethiopia's Finance Minister Sofian Ahmed said his country's debt cancellation was "very encouraging." assuming there were no strings attached."

But, alas there ARE strings attached not to mention continuing chains of dependency in a world where the rich and getting richer and the poor poorer every day. Few media accounts are putting this news in the larger context of what critics of neo-liberalism call "global apartheid."

Unfortunately this analysis is often hinted at by rarely spelled out. Geldof added: 'The end will not be achieved until we have the complete package ... of debt cancellation, doubling of aid, and trade justice."

Romilly Greenhill of ActionAid said it will do little to immediately help millions in at least 40 other countries that also need debt relief."

Mediachannel advisor Anna Kaca writes to me from Finland that

1) Not all developing countries will get their debts cancelled,

2) Bair suggests that the interest rates for the debts, the loans, should be paid by the rich countries during a period of years. After that the developing countries should pay off the original sums of their loans themselves

3) The countries that receive the Blair debt cancellation model are obliged to sign up on an economic and political program of reforms that are largely neo-liberal.

She also points out that Blair is under intense political pressure in Britain with major protests slated for Scotland when the G8 assembles.

More skepticism is needed, argues the CatsDream blog:

"Is it possible to ask a couple of questions about Make Poverty History? Or is this another slogan, another PR campaign like Weapons of Mass Destruction, Support Our Troops, War on Terror, Export Democracy? Also, if this is another propaganda operation, what's the trick?

"Africa and its tragedies. Wouldn't it be interesting to know where all these tragedies come from? Wouldn't it be helpful to understand at least some of the reasons why so many people suffer terribly and die of treatable diseases? .... what about colonialism? Water, food and medicines, of course. But what about the economy and the plans imposed by western powers, the World Bank and the IMF. The never ending wars, of course. But what about selling Africa billions of weapons?

"So, why Make Poverty History? What's behind all this love and good feelings we are presented 24-7 on TV? For which reason are people like Blair, Brown, Bush, Wolfowitz so eager to help Africa? I don't doubt the good intentions and the honest feelings of Bono and Geldof. ...those who have the power to take decisions will use any mean to build consent around their power, hide their real agenda and using the popularity of rock stars and showbiz people at their own advantage. What do you think it's the reason for all these Sirs and Lords and Ladies, after all?"

These are important questions even if the author's English is a second language.

Can we ask our friends in the media to start asking them and others and report on who benefits from Africa' s distress, Are African programs like NEPAD, New partnership for African Development working? What is the neo-liberal agenda here? Is it a real victory? Should we be beating drums for it or against it? ●

MARKETING PRACTICES IN INDIA

NDTV: Of Life And 'Debt', Sanjay Pinto, Bureau Chief (Tamil Nadu):

"Lead me not into temptation, I can find the way myself!" That's probably what a good number of credit card holders in the country now regret doing. But there are many who are forced into this debt trap by glib talking telemarketing agents, with irritatingly artificial accents. They care two hoots for the Supreme Court's ban on unsolicited marketing calls and take the liberty of disturbing you at odd hours for business on Shylock's terms.

"A friend who shuttles between New York and Chennai has a local mobile number for her aged parents to call her. With exasperating regularity, direct selling agents of a dime a dozen private banks call her at what would be the middle of the night in the US with an offer of a credit card or a fresh loan or topping up of a non existent loan...." ●

CHAPTER 6

Resources

How you can help promote a dept relief agenda and fight back against avaricious corporations and predatory lenders?

FILM SYNOPSIS – Circulate this!

In America's earliest days, there were barn-raising parties in which neighbors helped each other build up their farms. Today, in some churches, there are debt liquidation revivals in which parishioners chip in to free each other from growing credit card debts that are driving American families to bankruptcy and desperation.

In Debt We Trust is the latest film from Danny Schechter, "The News Dissector," director of the internationally distributed and award-winning ***WMD (Weapons of Mass Deception)***, an expose of the media's role in the Iraq War. The Emmy-winning former ABC News and CNN producer's new hard-hitting documentary investigates why so many Americans are being strangled by debt. It is a journalistic confrontation with what former Reagan advisor Kevin Phillips calls "Financialization" – the "powerful emergence of a debt-and-credit industrial complex."

While many Americans may be "maxing out" on credit cards, there is a deeper story: power is shifting into fewer hands.....with frightening consequences.

In Debt We Trust shows how the mall replaced the factory as America's dominant economic engine and how big banks and credit card companies buy our Congress and drive us into what a former major bank economist calls modern serfdom. Americans and our government owe trillions in consumer debt and the national debt, a large amount of it to big banks and billions to Communist China.

EXPERTS AGREE: A top government official compares the US today to Rome before its fall and warns that the bubble could burst. A former prosecutor says that many of these loans are worst than mafia loan-sharking practices. An ex-credit card executive explains how advertising campaigns are deliberately deceptive and misleading.

ROBIN HOOD OR ROBBING THE HOOD: A real estate expert reports that tens of billions of dollars, are being transferred from the pockets of the poor into the vaults of big banks that use front groups and subsidiaries to camouflage their association with rip-off loans charging exorbitant interest rates. A discussion of the frightening sub-prime lending scandal.

SCAMMING SOLDIERS: We visit a military base to learn that soldiers just back from Iraq are being victimized en masse by payday lenders.

CONGRESS: BOUGHT AND SOLD: In Washington we learn how big money and lobbying stops government and political leaders from regulating usurious interest rates or stopping the gentrification of poor neighborhoods in which thousands of families are losing their homes through predatory mortgage, home-improvement and foreclosure scams.

COLLEGE CREDIT: We visit a campus where college students are being forced to pay higher interest rates for loans while a majority graduate with more than $20,000 in loans. Credit Card Nation author Robert Manning explains the crisis.

BANKRUPTCY BILL BLUES: And then we hear about the shame and pain of bankruptcy as the Congress passes a bill to make it harder for Americans to get a second chance and disqualifies Hurricane Katrina victims from filing for relief.

A CALL TO ACTION: Economics is called "the dismal science," yet this film is anything but; it exposes practices we can all relate to because they effect us all, adds Schechter. The film also talks about how we can fight back.

Deeper than the news, fast-paced, musically charged and deeply informative, ***In Debt We Trust*** is call to action: filmmaking with an angry edge and a broad well-reported scope. ●

Copies are available through indebtwetrust.com

QUESTIONS FOR DISCUSSION

Does "Democratization of credit" mean that everyone benefits when the government reduces its regulation of the financial services industry?

Credit cards offer the only financial loan whereby the rich pay nothing (even negative when "cash back" and free gifts are considered) by paying off their charges at the end of the month and the poor pay the highest rates – essentially subsidizing the free loans of the affluent. Conversely, banking deregulation and the end of interest rate caps has led to outrageous loans to the poor such as "payday" loans with APRs over 800%, car title loans with APRs over 300%, and sub prime credit cards with effective APRs over 1000%.

What happened to state and federal usury laws?

The banking industry has effectively evaded them through a legal principle called "Federal Preemption." That is, a nationally chartered bank like Citibank can only be regulated by an act of the US Congress. If Congress is grossly influenced by campaign contributions from the financial services lobby, then it should not surprise you that Congress has not sought to enact interest rate caps since the early 1990s. After all, it only takes approximately 10 US Senators on the US Banking Committee to essentially block any Congressional legislative efforts to limit interest rates and fees on credit cards.

The credit card industry asserts that it is one of the most competitive US industries with over 6000 issuers. Is this true?

No, most banks that are reported as credit card "issuers" basically serve as an application center and your account is "owned" by one of the top ten banks. The exception is if you belong to a credit union. Otherwise, the top 3 banks control over 55% of the market and the top ten control nearly 90% of the credit card market.

Why was the bankruptcy reform legislation passed and does it offer any benefit to consumers?

The Bankruptcy Abuse Prevention and Consumer Protection Act of 2005 was the first legislation introduced by the Bush Administration in 2001 (credit card giant MBNA was a top campaign contributor to the President). The bill was pushed by the leading credit card and auto finance companies for 8 years until it was signed into law in 2005. The supporters of the bill argued that it would limit the avoidance of consumer debt obligations such as credit cards by forcing middle income families to file for a Chapter 13 repayment plan rather than a Chapter 7 liquidation. Significantly, the credit card industry's profits jumped 30% prior to the enactment of the bill and defaulted credit card debts declined in this year as well. Furthermore, consumers did not see the banks pass on any cost savings to consumers through lower finance and penalty fee rates in 2006.

If my credit card company is ripping me off with contractual tricks or outrageous jumps in finance rates, what are my consumer rights?

Banks have sought to limit consumer rights through requiring mandatory arbitration (so you cannot sue them – especially class-action lawsuits), contractual terms that they can change at any time, replacing "fixed" with "variable" rate lending terms, providing contracts and disclosures that are not understandable, cutting back on government regulation, financially controlling debt management programs that essentially act as debt collectors (Consumer Credit Counseling Services), and "reforming" consumer bankruptcy laws so that consumers must repay a larger proportion of unsecured debts. As a result, the average consumer has very few options in defending their rights against the major credit card companies. In case of deceptive marketing, billing, and debt collection practices, you can file complaints to the Federal Trade Commission (FTC), Office of the Comptroller of the Currency (OCC), and in some cases your State Attorney General. ●

QUIZ: QUESTIONS FOR A NEW AGE

Professor Robert Manning asks his students to discuss the issues raised in In Debt We Trust. I thought I'd see how many readers can answer his questions too.

Review Questions

1. What is banking "de-regulation?" Why do banks want it? What are the benefits to consumers? What are the disadvantages?

2. How are Credit Unions different from retail banks? Which offers the lowest cost services? Which one do you prefer and why?

3. What are usury laws for? Does the US have a federal usury law? What is the highest interest rate that you can be charged on your credit cards?

4. Why are college students such prized clients of the credit card industry? Why didn't credit card companies aggressively market to your parents' generation when they were in college? Do universities profit from credit card use by students? How? What do YOU think is the responsibility of universities in formally promoting financial literacy/education?

5. Why did banks spend so much money to get the new consumer bankruptcy legislation enacted into law? Why was President Bush such a staunch supporter of the bill? Is it fair to say that Congressional Democrats opposed the bill? Do you agree with the new law?

6. What is a car title loan? Is it an unsecured loan? How much does it cost? What happens if you do not pay the loan back?

7. What is a payday loan? A Rapid Advance Loan (RAL)? How much do they cost? What happens if you do not repay the loan? Why are military servicemen targeted for these loans?

8. What is a subprime loan? What is an adjustable rate mortgage? Why are so many subprime mortgages in foreclosure? Why don't people sell their homes rather than losing them due to foreclosure?

9. What does the movie mean when it states "Before the Bubble Bursts?" What are the fears about the impact on the US economy? How does Communist China subsidize Capitalist America? Does

this concern you?

10. What is “Financialization?” What policies do you think the government should pursue after watching the movie? What strategies would you suggest that individuals should consider? Do you think that banks can be trusted in the pursuit of maximizing profit or that greater regulations are required? ●

A Q&A WITH DANNY SCHECHTER

By Z. Paschal Gregory for ALTERNET

Danny Schechter, a veteran TV journalist and media critic, directed the new independent documentary "In Debt We Trust." With all of the pressing issues in the world, from the war in Iraq to climate change, he makes the case for paying attention to the perils of America's "bubble" economy and the debt bomb that may go off – at theaters near you.

G. Pascal Zachary: Why debt?

Danny Schechter: "Economic issues are being ignored. Nobody is talking about the ever-expanding American debt. And how the conflict between lenders and borrowers is the new dividing line in America.

Zachary: Why now?

Schechter: We have an issue that goes beyond the partisan divide. The national deficit is growing. Every American is responsible for that. We're taking loans from China for the government to pay its bills. Adjustable rate mortgages are moving upwards, raising the cost of housing. College loans are on variable rates, so they're getting more expensive too. And credit cards have gone from a luxury to a necessity to a noose.

Zachary: What's the central problem?

Schechter: There's a credit loan complex that's everywhere as insidious as the military industrial complex. And it's consolidating. Power in this industry is being held in fewer and fewer hands.

Zachary: What can be done?

Schechter: The first step is raising awareness. People don't usually talk about this problem. It's a point of embarrassment to be overwhelmed by debt. When you give people permission to talk about this, they pour out. We also need grassroots political action to promote responsible lending. We have to roll back the bankruptcy law changes. We have to fund counseling and advice. We need to make financial literacy part of our educational system

Zachary: Why isn't easy credit a good thing?

Schechter: It can be but we've gone overboard. The democratization of credit also means the democratization of dependency.

Zachary: Many civic groups, unions, even Working Assets, have pushed credit cards. Should those be cut back?

Schechter: The union affinity credit-card programs are among the most successful. Because people will feel the union will protect them But in many cases the unions have nothing to do with the card, they are just the broker, so members have to protect themselves.

Zachary: What about frugality, simple living, spending less? Is that one way to fight back?

Schechter: It's possible to spend less, but difficult because we're living in a time when its very hard to avoid rising prices. Young kids have to have the latest things. Business are charging more for something we used to get for less. We live in a culture where consumption is stimulated. It's hard to ignore.

Zachary: You suggest at times that there is a conspiracy to trap as many Americans as possible into crushing debt, simply in order for banks to boost profits. Is it really that bad?

Schechter: The card companies are a cartel. They collaborate as much as they compete. They use the same techniques. There are people who see techniques, and the companies who use them, as evil. I don't personally like those terms. But I think the card companies are insensitive. They are chasing revenue and they don't care how they get it. They go over the top. ●

ONE THING WE CAN DO

Host a screening of ***In Debt We Trust*** and hold a discussion before or after the screening to raise awareness (there is also a fund-raising opportunity here for your organization. Visit stopthesqueeze.org for more information.

We can't do everything, but we have to do something. The economy we save may be our own. ●

If you can help our work or have suggestions, write to dissector@mediachannel.org

ABOUT DANNY SCHECHTER

Dissector/Writer/Director/Producer
Dissector@mediachannel.org

Danny Schechter is a journalist, author, television producer and independent filmmaker who also writes and speaks about media issues. He is the author of eight books including "When News Lies: Media Complicity and the Iraq War (SelectBooks, 2006); "The Death of the Media" (Melville House 2995); "Embedded: Weapons of Mass Deception: How the Media Failed to Cover the Iraq War" (Prometheus Books, ColdType.net, 2003); "Media Wars: News At A Time of Terror (Rowman & Littlefield, 2003); "The More You Watch, The Less You Know" (Seven Stories Press) and "News Dissector: Passions, Pieces and Polemics" (Akashic) Books and Electron Press).

He has spoken at scores of universities – from Harvard to Hamline, from Minnesota to MIT, NYU to Georgia States, Santa Monica to the University of Hawaii, Princeton to Cornell.

He is currently the executive editor of MediaChannel.org, the world's largest online media issues online network, and recipient of many awards including the Society of Professional Journalists' 2001 Award for Excellence in Documentary Journalism.

He has produced and directed many TV specials and documentary films, including In Debt We Trust, (2007); Boob Tube (2007) "Putting The Media Back In Media: A Mediaography (2007); WMD (Weapons of Mass Deception) on the media coverage of the Iraq War (2004); "Counting on Democracy," about the electoral fiasco in Florida narrated by Ossie Davis and Ruby Dee (2001); the post 9-11 film "We Are Family" (2002), shown at the Sundance Film Festival; "Nkosi: A Voice of Africa's AIDS Orphans," (2001) narrated by Danny Glover; "A Hero for All: Nelson Mandela's Farewell" (l999); "Beyond Life: Timothy Leary Lives" (1997); "Sowing Seeds/Reaping Peace: The World of Seeds of Peace" (1996); "Prisoners of Hope: Reunion on Robben Island." (1995, co-directed by Barbara Kopple); "Countdown to Freedom: Ten Days that Changed South Africa" (1994), narrated by James Earl Jones and Alfre Woodard; "Sarajevo Ground Zero" (1993); "The Living Canvas" (1992), narrated by Billy Dee Williams; "Beyond JFK: The Question of Conspiracy" (1992, co-directed by Marc Levin and Barbara Kopple); “Give Peace a Chance” (1991); “Mandela in America” (1990); “The Making of Sun City” (1987); and “Student Power” (1968).

Schechter is co-founder and executive producer of Globalvision, a New York-based television and film production company now in its 16th year. He founded and exec-produced the series “South Africa Now” and co-produced “Rights & Wrongs: Human Rights Television. He has specialized in investigative reporting and producing programming about the interface between human rights, journalism, popular music and society. His career began as the “News Dissector” at Boston's leading rock station, WBCN. Later, he moved into television as an on-camera reporter for WGBH (Channel 2) in Boston and then as a producer for WLVI (Channel 56) and WCVB (Channel 5)

Schechter then joined the start-up team of CNN and later became a producer for ABC NEWS 20/20. He produced 50 segments for ABC and won two national Emmys and was nominated or two others.

A Cornell University graduate, he received his Master's degree from the London School of Economics, and an honorary doctorate from Fitchburg College. He was a Neiman Fellow in Journalism at Harvard, where he also taught in 1969. After college, he was a full time civil rights worker and then communications director of the Northern Student Movement, and worked as a community organizer in a Saul Alinsky-style War on Poverty program. Then, moving from the streets to the suites, Schechter served as an assistant to the Mayor of Detroit in 1966 on a Ford Foundation grant.

Schechter has reported from 51 countries and lectured at many schools and universities. He was an adjunct professor at the Graduate School of Journalism at Columbia University and taught investigative reporting at the New School. Schechter's writing has appeared in leading newspapers and magazines including the The Nation, Newsday, Boston Globe, Columbia Journalism Review, Media Studies Journal, Detroit Free Press, Village Voice, Tikkun, Z, and ColdType.net among many other outlets. ●

THE LAST WORD

"My plan reduces the national debt, and fast. So fast, in fact, that economists worry that we're going to run out of debt to retire."

President George W. Bush,
Radio address, Feb. 24, 2001