

It takes a sharp wooden stake

Written by Bruce Enberg

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The new unemployment claims reported on last week were at a seven year low, the report for this week is up again close to the moving average, but overall it's not bad news for the economy. We will probably see more people leaving the workforce now that they don't need to stay with the company that provides them health insurance, and this should be reflected in a falling unemployment rate. Worker mobility should improve from this 'portability' aspect of ObamaCare, and this could result in fewer people being laid off since workers are able leave a company for another job rather than hanging on until the ax falls.

In theory, we should see an upturn in people creating their own business since they don't need to worry about finding health insurance. There is, however, the problem that if a person is a college graduate her or she is likely be carrying a large student debt load and this hampers entrepreneurship. Unless you simply take Mitt Romney's advice and borrow the money from your father to get started, - it worked great for him.

The more than one trillion dollars in student debt is also overhanging the housing market. It used to be that you could count on college graduates in their twenties to buy houses, but even if you aren't working at Best Buy with your engineering degree you're still screwed. Banks are requiring a mountain of paper work, a large down payment and a cash reserve in the bank. The fact that your student loan would be enough to buy a modest house doesn't really work for you, or for the economy.

Home sales are down 7% compared to last year and are many are 'cash' sales, and these are

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still on the rise. Cash sales mostly go to Wall Street hedge funds that have already bought up close to 150,000 houses, getting them at fire sale prices from banks that had foreclosed. In theory these houses are to be managed as rental properties, providing a tidy return to investors who buy securities based on portfolios made up of these houses.

If this has a familiar sound to it, like the creak of a floorboard in horror movie, it's because these very same houses were once securitized based on their mortgages. The investors then bought so-called 'insurance' or rather derivative contracts based on pure speculation about whether or not these investments were actually worth anything. It was not unusual to have four or five layers of derivatives on every loan with the derivatives repackaged in increasingly complicated formats. This was what caused the collapse, not the relatively few homes purchased by brown people whom the Conservatives blamed for the collapse of the world banking system.

No matter how many times you kill the monster, Wall Street bankers just keep coming back. Elizabeth Warren keeps telling us about the danger, but what she really needs is a wooden stake, a few clever puns and some fast paced theme music. Then she could just dust the demon bankers once and for all.

Business lending is up, but it's still really hard for a small business to get a loan. Not to worry, a new type of demon has crawled up out of the Wall Street Hellmouth to fill that niche. Boiler room operations are running full steam calling contractors, truckers and florists to offer them loans regardless of their credit rating at the generous sub-prime rate of only 125%. Since these are business loans they are not covered by consumer protection regulations so they can pretty much do as they like.

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This lending is no small potatoes, these demon spawn are doing twice the loan volume of the Small Business Administration and growing fast. A natural disaster such as hurricane will wash these slimy creatures up on the beach where they begin to prey on small businesses in a similar fashion as Pay Day Loan operators do. An initial line of credit will be offered with no collateral requirement but with an exorbitant interest rate and daily payments bled from the victims neck, I mean deducted from their bank account.

Of course any default on the daily payment will dig you in deeper and deeper with no hope of escape. The Sopranos did this to a Sporting Goods store in one episode. Tony could have worked on Wall Street, made more money and not needed to fear the Feds.

And Wall Street is now securitizing this debt as well. Investments are being sold with loan tranches ranging from 29% to 134%. Usury laws are being avoided by partnering with banks in Utah where no such moral constraint exists. The scum can get away with this thanks to the Corporate Supreme Court of the United State that legalized the creation of such fictions to avoid local laws. So much for Conservatives belief in State's Rights. In this 'republic' only non-living things have rights.

Twitter @BruceEnberg where the concept of rights for humans is still discussed. Bankers and other Demons will be staked, or at least blocked from tweeting.