

IN THE NEWS

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The Economy

Poverty continues to rise in the U.S. with a 15.1% rate or stated differently, 46.2 million Americans were classified poor last year [1]. To put this in context, of the 34 countries tracked by the Paris-based Organization for Economic Cooperation and Development, only Chile, Israel and Mexico have higher rates of poverty [2]. At 46 million, this is the largest number recorded by the Census Bureau of people in poverty (recording started 1959) [3]. What's more, the median household income declined 2.3% from 2009 to \$49,400 [4]. Meanwhile, some are critical of the National Labor Relations Board's decision to shut down the Boeing assembly plant in South Carolina while other companies moving assembly plants to China experience no regulatory constraint [5].

For the week ending September 10, the number of first time unemployment claims was 428,000 and the previous week was revised upward to 417,000 [6]. For the week ending September 17, the number of first time claims was 423,000 [7]. Moreover, a week after the initial September 10 report, the number of first time claims for was adjusted upward to 432,000 [8].

Years ago, even though profitable, Enron was allowed to dissolve as part of bankruptcy [9]. Due to the politics at the time, no effort was made to allow a restructured Enron to continue. It seemed an example needed to be made. But who lost in allowing Enron to fail? One example was the California's Public Employees' Retirement System that held 2.8 million shares of Enron [10]. Now, the Dodd-Frank Act makes it less likely that there will be Government bailouts for large banks in the future [11]. Citing the Dodd-Frank Act, Moody's downgraded the Bank of America, Citi, and Well Fargo [12]. Perhaps framers of the law were unaware of the devastating damage caused by 2008 Lehmann Brothers bankruptcy [13]. So here we are with a feel-good law that is dragging down the banking sector to the detriment of the economy. If another large bank is allowed to go into bankruptcy the question will not be if we are going into a double dip recession but rather how long will it take to exit the depression. However, on the plus side, only two financial institutions were closed on September 23: 72) Bank of the Commonwealth in Virginia; and 73) Citizens Bank of

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Special points of interest:

- 46 million Americans live in poverty
- Cyber-theft loss estimated at \$1 trillion
- UBS investment bank losses \$2 billion in unauthorized trades
- Dodd-Frank Act hurting large bank ratings
- Dutch security company DigiNotar bankrupt

Security

We may never know the exact dollar amount for information compromised. However, one estimate places the loss at \$1 trillion [1]. Meanwhile, a Wisconsin company that supplies arcade games was hacked and 40,000 credit cards may have been compromised [2].

Whenever a large bank

announces losses due to unauthorized trading, we start to think how the computer security and internal controls may have failed. In the latest case, the Swiss UBS bank announced a \$2 billion loss due to unauthorized trading in its investment bank [3]. After news of the unauthorized trades, UBS stock fell 9.6% [4]. What's more, apparent-

ly the fraud went undetected since 2008 [5]. So companies know that if they report unauthorized actions resulting in losses, the company stock will likely fall. Case in point, the Dutch company that was hacked into and issued bogus SSL certificates declared bankruptcy [6]. The lesson from DigiNotar filing for bank-

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Security

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ruptcy three weeks after announcing the security breach; when your customers no longer trust you, failure is likely [7]. For this reason, companies will continue to resist reporting any cyber-attack related incidents.

The U.S. military is not alone when subjected to cyber-attacks. For instance, Japan's Mitsubishi Heavy Industries, the largest defense contractor in Japan, was a victim to a cyber-attack that targeted the company's submarine, missile and nuclear power plant component factories [8].

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future, general says, September 12, 2011.

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8. Reuters, *Japan's defence industry hit by its first cyber attack*, September 19, 2011.

*There is no greater harm
than that of time wasted—*

Michelangelo

The Economy

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Northern California [14].

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Energy

While the U.S. continues to import ever more oil, there is a bright side to energy. It seems the U.S. has so much natural gas, that countries including Japan are eager to purchase it [1].

Elsewhere, the impact of China restricting rare earth elements is impacting energy products including fluorescent bulbs that have increase 37% in price [2]. What's more, China has warned there will be further export restrictions of rare earths [3].

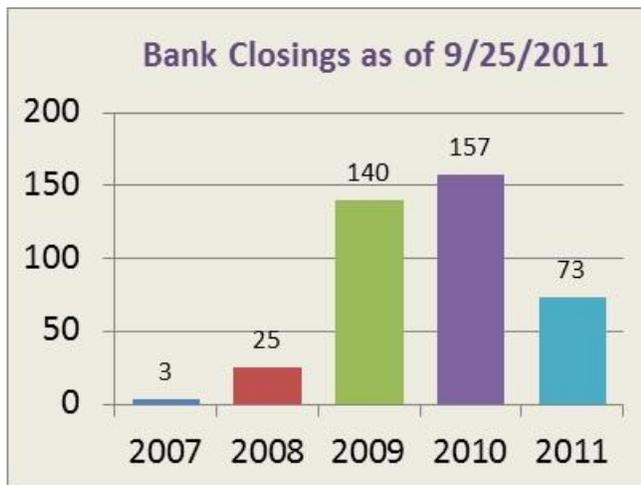
Much news has focused on the high profile failure of U.S. solar industries [4]. However, pollution from a Chinese solar-panel factory was so bad, more than 500 villagers protested [5]. Since the protest, the company has admitted toxic waste leaked into the environment and apologized to the people [6]. Moreover, only after the protest and the company admitting its guilt, China ordered the solar-panel manufacturing plant closed [7]. However, this act comes too late for the U.S. companies now bankrupt. For instance, the Solyndra Company

that received US stimulus funds only to fail in bankruptcy is cited as an example where unfair trade with China killed a US industry [8]. With such poor environmental controls, how can U.S. industry compete?

With the decision of the German government to give up on nuclear power, the largest conglomerate in Europe, Siemens, announced they too will abandon nuclear power [9]. In contrast, Iran is committed to expanding its nuclear program and is in discussions with Russia for constructing more plants [10].

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*The mother of revolution
and crime is poverty—
Aristotle*



World News

Confirming there is a problem; the U.S. ambassador to China urged the communist government to lower trade barriers [1]. Meanwhile, the U.S. plans to act on year old Chinese chicken tariffs that U.S. business paid approximately \$1 billion [2]. The Chinese Chicken tariffs range from 50 - 100% and the U.S. complaint to the World Trade Organization is expected to take 18 - 24 months before a resolution [3]. Since China started the tariffs, U.S. chicken exports to that nation fell by 90% [4]. Moreover, China claims the tariffs are lawful [5]. By maintaining the same unfair trade practices, China continues to grow while the U.S. slips further downward. The Chinese must realize the U.S. policy on trade is toothless thereby assuring China goal of economic and military supremacy. It seems that if China is taxing our goods, we should in turn tax their products. We are in a trade war with China and they are winning.

China's economic power is causing problems in other areas. Case in point, less than 20% of China's toxic waste undergoes proper treatment [6]. When China decides to militarily take over Taiwan, it is expected the island nation will only last days against the assault; consequently they

wanted to buy 66 F-16 fighters [7]. Expectedly, the US decided not to sell Taiwan F-16 fighters but rather upgrade existing aircraft [8]. The US decision not to sell F-16's is seen as a sign of China's clout and U.S. weakness [9].

As the US continues to export wealth, industry, jobs, and technology to China; the communist giant is applying these rewards. Case in point, China is poised to test a new heavy lift rocket that some believe will provide a space station capability [10]. What's more, Treasury Secretary Geithner criticized China over its decades-old policy to steal American intellectual property [11]. Additionally, in the San Francisco area, many underage teens are using fake, made in China, driver licenses [12].

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*The inevitable consequence
of poverty is dependence—*

Samuel Johnson
