The Round-Up: August 10th 2007

Posted by Stoneleigh on August 10, 2007 - 6:25am in The Oil Drum: Canada
Topic: Miscellaneous
Tags: arctic, biofuel, climate change, credit crunch, derivatives, electricity, grid, hedge funds, liquidity, lng, natural gas, nuclear, oil sands, reserve requirements, sovereignty, subprime, sweeps [list all tags]

Yesterday's financial convulsion is arguably the beginning of the end for a credit expansion of epic proportions that has underlain the economic boom of the last 25 years. It had its roots in the corruption of fractional reserve banking, as directly overseen and facilitated by the Federal Reserve. For those who look to the Fed now for a solution, perhaps it would be advisable to look instead at how the Fed created the current mess.

Fractional reserve banking was designed to provide a controlled credit expansion. However, in the early 1990s, the Fed began to find its rules too restrictve and acted to lower reserve ratios on some deposits and eliminate them for others. In addition, creative accounting implicitly condoned by the Fed allowed banks to circumvent even the limited remaining need to hold reserves. According to the Fed itself (PDF warning, see page 44), by using overnight retail sweep accounts, banks can transfer a proportion of deposits out of the category for which they must hold funds at the Fed (checking deposits), and use them to invest in interest-earning assets.

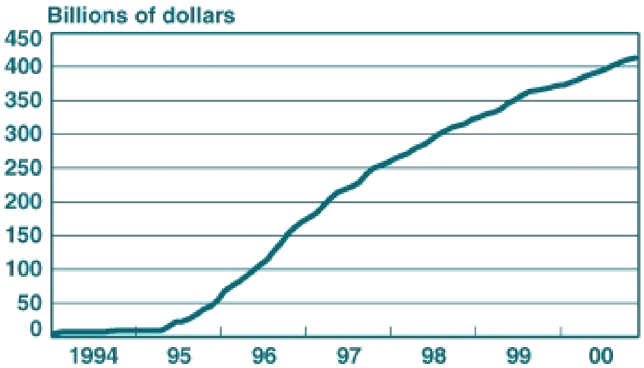
The lowering of reserve ratios and the acceptance of sweeps by the Fed over a period of many years demonstrates its attitude towards the need for reserves in the first place. How can the Fed claim to be concerned about the unsustainable expansion of the money supply (ie inflation), via the creation of essentially limitless amounts of credit, when it has been fully aware of the corruption of US fractional reserve banking all along? And how can the Fed be unaware of the eventual consequence of uncontrolled credit expansion - a debt crunch - when it has played out many times before?

Massive Surge in Sweeps

> Logic? Who cares about logic? Banks are allowed to lend out checking account deposits even though they pay no interest on those accounts. Customers assume the risk and banks literally sweep up the profit. This is a sweet deal for the banks and is accomplished ironically enough via sweeps.
>
> Sweeps are a mechanism by which "excess capital" is swept from some accounts into other buckets based on patterns of expected behavior (not all customers are going to demand all of their money all at once).
>
> Money in the accounts where the money was swept is allowed to be lent out. In essence, the money sitting in your checking account right now is not really sitting there at all. It's lent out all over the place (in theory overnight but in practice for god knows how long or for what)....
>
> ....The study does not say it explicitly but I will. There are essentially no bank reserves.

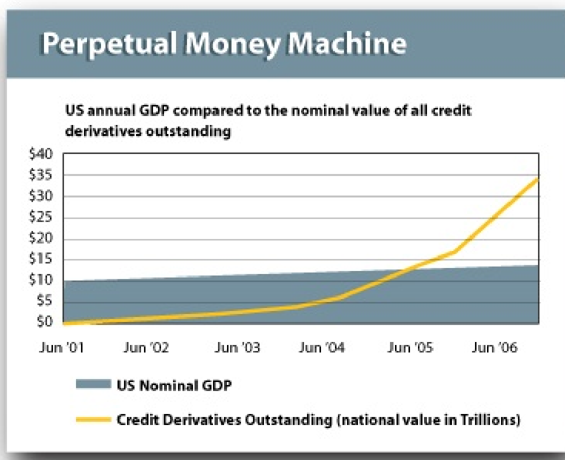
Wait a second, I take that back. The combination of fractional reserve lending and sweeps really means there are negative reserves. Far more money has been lent out than really exists.

Sweeps of Retail Transaction Deposits into Savings Deposits



Source: Board of Governors of the Federal Reserve System.

[Mogambo Guru: Misdiagnosed Economic Insanity]



Actually, it may BE economic Armageddon if people don't want to buy that financial-engineering crap anymore, as that is what has provided most of America's GDP and 70% of America's profits during a decade of the biggest explosion of the rampant creation of money, credit and debt in the history of the world, enabling the slimeball banks, hedge funds and financial industry scamsters to leverage their lies into a monstrous, labyrinthine, secretive, off-balance-sheet behemoth of derivatives, totaling as much as $450 trillion, which is nine times the size of global GDP! Or more! Which is now collapsing! Yow! Sounds like Armageddon to me, too!

How big is this thing? Well, Jim Willie CB of the Hat Trick Letter figures that the total cost of the subprime/collateralized debt obligation fiasco "is an initial figure of $2 to 3 trillion in bond losses from CDO plus MBS bonds at a minimum. Match that with $4 to 6 trillion in home equity losses at least. Included in my estimate is the collateral damage of another $1 trillion in losses to high grade mortgage bonds and corporate bonds."

The last thing I remember before blanking out is that this totals to about 80% of GDP! Or more! And even now I still feel kind of woozy about it! Losses suddenly totaling 80% of GDP? Yow!

In fact, Bill Bonner at DailyReckoning.com reports that already "U.S. stocks have lost more than $1 trillion in value in the last three weeks - an amount equal to about 8% of annual GDP. Goldman Sachs - the alpha business of Wall Street - has lost 20% of its value."

[The Fed is Keeping the Top Spinning]

The "strong U.S. economy" has been pushed and pushed along by 25 years of hyper credit expansion fostered by the Federal Reserve. When witnessing the tumultuous results of just a slowing down of the credit expansion, one can only imagine the problems that will surface once credit begins to contract in earnest. The only way there will be new “money” coming into the markets to buy up assets is if the top can be set to spinning again in the middle of its topple; this requires credit expansion to miraculously begin again just as investors are anxious to shed debt. The reason this is so is that the world has confused money with credit. Let’s try to straighten this concept out.

Money is a medium of exchange accepted by all parties in an economy. Look at that sentence carefully. "Accepted" connotates that money is a store of value that everyone agrees upon. Money is created in an economy by productivity: excess that produces income that can be saved or invested. Money is real liquidity and can be looked at as the total of savings and investment.

Also implicit in the statement is that the "amount of money in a system should be roughly equal to the total real value of assets in a system" in order for the value of the exchange to be agreed upon. Otherwise the prices of real assets will fluctuate only because the accepted value of money is fluctuating.

But this is not quite true. Actually the value of all assets is about equal to the amount of money plus the amount of debt. Debt is artificial liquidity, re-distributing future real liquidity from the future to the present. Debt should only be incurred when it is estimated that future income from productivity can support it. This is what investors do: estimate those probabilities and arbitrage with their own money.

And here lies the crux of the matter: what the Fed has done over the last 25 years is artificially decrease the relative value of real money in the U.S. system while increasing the relative value of debt. It has done so with no concern for the level of income generated to pay that debt back. The Fed through their hyper expansionary credit policy and Wall Street through financial engineering have loaded the system with debt not supported by a commensurate level of future (present) income.

[Fleckenstein (and others) State the Deflation Case]

The key point is deflation is caused by a massive increase in credit/debt not supported by a commensurate level of income. In simple terms, there is no way to ever pay back what has been borrowed. It's also critical to understand the distinction between a hyperexpansion of credit and a hyperinflationary printing of money. The former is what caused the Great Depression (and is happening again now), while the latter happened in the Weimar republic and is happening right now in Zimbabwe.

My friend who posts on Kitco under the alias "Trotsky" just pinged me with this comment: "absolutely correct - this at the root of the misunderstandings out there.

because credit is used as a money substitute in the financial markets, it acts as an inflationary force in the asset markets (and this spills over into the real world as the imaginary wealth thus created leads to overconsumption and malinvestments), but it is all ephemeral - in the end, it is still credit, not money. As soon as money is needed in lieu of credit, such as has now happened in the CMO and CDO markets, it becomes clear that the money simply isn't there."

[Five Things You Need to Know]

> If the markets have decided that too much credit is too easily available, as it appears they already have, then the Fed can simply lower rates to make credit more available. Problem solved. But what if there are two separate but related forces at work: tightening lending standards and reduced credit appetites? Then the Fed has something more serious on their hands.
>
> The key in all of this is not inflation, as most believe. The Fed says they are most worried about inflation risks, but the reality is that they are most worried about deflation risks. Always. Always deflation. The Fed has no choice but to always remind us that the risks are tilted toward inflation, just as the Treasury Secretary, whichever one happens to be in office at the time, must always say that the U.S. maintains a strong dollar policy, even if monetary policy and fiscal policy are conspiring to devalue the dollar.
>
> As for equities, when the dollar begins to rise, and it appears the Fed finally will begin to cut rates, as they inevitably must to try and sustain credit consumption, then it's time to worry. That means deflation is winning.

[Revenge of Frankenstein Finance]

> Yet amid the hype and assurances, few supporters spoke of the dark side of wanton and widespread risk-shifting. They didn’t seem — or want — to acknowledge that by combining complicated risks in unfamiliar and unnatural ways, the end result could be an uncontrollable monstrosity—one that eventually turned on its masters.
>
> Nor did they heed the notion that by scattering risk into every nook and cranny of the global financial system, the vast web of overlapping linkages virtually guaranteed that serious problems in one sector, market, or country would trigger far-reaching shockwaves. Much like, for instance, the allegedly “contained” meltdown in the subprime sector has done.
>
> Proponents also discounted the fact that peaks and troughs would be amplified to stomach-churning extremes by technology and networks that ensure the smooth functioning of such complex systems. In the new age, point-and-click computing power and fiber-optic networks are a substitute for physical proximity when it comes to promulgating an old-fashioned rush for the exits.
>
> Another problem with this synthesized latticework is that it enables toxic fallout to flow unimpeded and puddle in places with widely varying rules, regulatory standards,

political regimes, and moral codes. This all but ensures that when defensive measures have to be taken, solutions are not only hard to find, but impossible to implement.

[ECB injects emergency funds for first time since 9/11]

The European Central Bank has injected emergency liquidity into the European credit markets for the first time since the 9/11 terrorist attacks, acting to prevent contagion from the US subprime mortgage slump spreading through the German, French, Dutch, and Spanish banking systems.

In a dramatic move, the ECB injected 95bn euros of special liquidity tender into the banking sector and said it was "closely monitoring the situation and stands ready to act to assure orderly conditions in the euro money market".

It is the biggest one day shot of emergency funds ever carried out by the European authorities.

[Central banks' aggressive moves stun markets]

After noting a sharp rise in overnight interest rates to 4.7 per cent – far above the target 4 per cent – the ECB put out a statement in the morning saying it stood "ready to assure orderly conditions in the euro money market".

Within a couple of hours it acted: taking the unprecedented step of offering a pre-announced unlimited tender so that European banks could get as much cash as they wanted.

The last time it stepped in to provide large-scale liquidity in response to market concerns was in the aftermath of the September 11 terrorist attacks. But even then, it did not offer unlimited support.

Equally striking was the amount of money the 49 banks that took up the tender received: €94.8bn ($129bn). This was far above the €69bn banks took on September 12 and the €40bn the next day. By contrast, the Federal Reserve – which also saw overnight rates move up to above 5.75 per cent, compared with its target rate of 5.25 per cent – took less drastic action to support liquidity.

[Central banks boost liquidity in bid to calm markets]

The Bank of Canada issued a statement Thursday saying it "would like to assure financial market participants and the public that it will provide liquidity to support the stability of the Canadian financial system."

Asian Stocks Plunge on Credit Fears

> Asian stocks plunged Friday as fallout spread across the region from global market turmoil set off by a U.S. mortgage problem. The Bank of Japan joined its U.S. and European counterparts in pouring in cash into money markets to calm growing jitters....
>
> ....Amid Friday's decline, the Bank of Japan said it injected 1 trillion yen ($8.39 billion) into money markets to curb rises in a key overnight interest rate.

Stocks Tumble as French Bank Reacts to Home Loan Worries

> Jonathan Mullen, a spokesman for BNP, said that the credit squeeze in the United States had made it impossible to calculate the value of the underlying assets of the funds and that the bank was obliged by market conditions to halt holders of the funds from cashing out or new investors from buying shares in the funds.
>
> “It’s quite exceptional to suspend funds, and it means that people can’t buy in or sell out of the funds,” Mr. Mullen said. “But we hope this is going to be temporary and that the market will come back.”

Stocks tumble after BNP; ECB helps money markets

> "There appears to be a dash for cash both in dollars and in euros," said Nick Parsons, head of market strategy at nabCapital.
>
> "Because liquidity in the market is drying up and because financing is also becoming more difficult, it seems that investors who need to finance their holdings of securities are not being able to draw on credit facilities and instead having to finance in the cash market. That's putting up rates on cash."

Stocks Plunge on Rising Credit Anxiety

> The announcement by BNP Paribas raised the specter of a widening impact of U.S. credit market problems. The idea that anyone -- institutions, investors, companies, individuals -- can't get money when they need it unnerved a stock market that has suffered through weeks of intense volatility triggered by concerns about available credit and bad subprime mortgages.
>
> A move by the European Central Bank to provide more cash to money markets perhaps intensified Wall Street's angst. Although the bank's loan of more than $130 billion in overnight funds to banks at a bargain rate of 4 percent was intended to calm investors, Wall Street saw the step as confirmation of the credit markets' problems.
>
> The Federal Reserve followed suit, adding $12 billion to U.S. markets to help ease

liquidity constraints, according to Dow Jones Newswires.

"This is a mini-panic," said Joseph V. Battipaglia, chief investment officer at Ryan Beck & Co., calling the banks' injection of money into the system an unprecedented move, and evidence that the problems in subprime lending are, in fact, spilling into the general economy.

"All the things that had been denied up until this point are unraveling," Battipaglia said.

Credit Crunch Not Going Away

The theory is flawed. Central banks promising new credit to strapped banks only helps them with their current problems. It will not get new credit into a system that can't take anymore. Banks, given their situation, are reducing drastically their new commitments, as they should. Borrowers can't afford to borrow more.

Sooner or later the market will realize that this is a credit crunch. We have not seen a real credit crunch since 1973. Go back to your history books to witness what a credit crunch does to asset prices. Pure and simple, when the borrowing dries up, there is no "money" to buy assets.

Sudden Demand For Cash

So there you have it. There is actually very little real cash out there. The "sudden demand for cash" is in fact the world's biggest margin call to date. And in spite of saying they wouldn't fund a mispricing of risk the ECB is attempting to do just that. The Fed will too. But it won't work for the simple reason it can't work. Credit far exceeds both underlying asset values and real cash. Sideline cash is really sideline credit and in such cases problems occur when the pool of greater fools runs out and/or credit funding is cut off for those fools. Look at canceled IPOs for the score. Also look at M3 compared to base money supply to see just how out of whack things are. The implications are certainly not inflationary. All it takes to tip over the wobbling top is a change in attitude toward risk and a repricing of a significant portion of assets. Both are happening now.

China threatens 'nuclear option' of dollar sales

The Chinese government has begun a concerted campaign of economic threats against the United States, hinting that it may liquidate its vast holding of US treasuries if Washington imposes trade sanctions to force a yuan revaluation.

Two officials at leading Communist Party bodies have given interviews in recent days warning - for the first time - that Beijing may use its $1.33 trillion (£658bn) of foreign reserves as a political weapon to counter pressure from the US Congress. Shifts in Chinese policy are often announced through key think tanks and academies.

> Described as China's "nuclear option" in the state media, such action could trigger a dollar crash at a time when the US currency is already breaking down through historic support levels.

Uncle Sam, Your Banker Will See You Now

> If Western financial markets are sufficiently intelligent to comprehend the message, US interest rates will rise regardless of any further action by China. At this point, China does not need to sell a single bond. In an instant, China has made it clear that US interest rates depend on China, not on the Federal Reserve.
>
> The precarious position of the US dollar as reserve currency has been thoroughly ignored and denied. The delusion that the US is “the world’s sole superpower,” whose currency is desirable regardless of its excess supply, reflects American hubris, not reality.

Splashdance!

> In fact, credit derivatives are a good thing, as long as nothing goes wrong. They're a good thing, as long as asset prices continue to rise and as long as there are no serious issues that put optimism in retreat. The nice thing about derivatives is that they provide lots of liquidity. They make a lot of things work really nicely. They make share prices go up; they make hedge fund managers rich; and that provides a trickle-down effect throughout all of Greenwich, Connecticut.
>
> Credit derivatives, therefore, provide livelihoods for innumerable support industries. Without derivatives, the plastic surgeons of Greenwich, Connecticut would not eat as well...and neither would the yoga instructors or the life coaches. None of these people would have the same lifestyles that they have today if it were not for derivatives.
>
> But no one knows how worthless a collateralized debt obligation (CDO) might become in the event of a crisis, which may or may not be now unfolding. No one really knows what these things are worth in relation to their implied financial values, much less what they are worth in relation to a barrel of oil or a glass of water or an ounce of gold. This is not a purely theoretical exercise. What I'm talking about, really, is an excess of paper in the world relative to a finite supply of "stuff."

MBS Monetization and USDollar

> Fannie Mae is being groomed to be the central clearing house for mortgages and their bonds, sponsored by the USGovt and the US Federal Reserve. Fannie Mae (FNM) just requested permission to take on much greater volume of mortgages, in order to alleviate the secondary market flow of capital funds. Since the accounting scandal which peaked in September 2004, a limit was imposed on FNM on its holdings at $727 billion. In today’s climate, marred by credit seizure to some degree, FNM is deeply missed in its

former prominent centrifuge role.

Worse than LTCM: Not Just a Liquidity Crisis; Rather a Credit Crisis and Crunch

> Economists distinguish between liquidity crises and insolvency/debt crises. An agent (household, firm, financial corporation, country) can experience distress either because it is illiquid or because it is insolvent; of course insolvent agents are – in most cases - also illiquid, i.e. they cannot roll over their debts. Illiquidity occurs when the agent is solvent – i.e. it could pay its debts over time as long as such debts can be refinanced or rolled over - but he/she experiences a sudden liquidity crisis, i.e. its creditors are unwilling to roll over or refinance its claims. An insolvent debtor does not only face a liquidity problem (large amounts of debts coming to maturity, little stock of liquid reserves and no ability to refinance). It is also insolvent as it could not pay its claim over time even if there was no liquidity problem; thus, debt crises are more severe than illiquidity crises as they imply that the debtor is insolvent, i.e. bankrupt, and its debt claims will be defaulted and reduced.

A Widening Credit Squeeze?

> For now, consumers can dump Capital One and move their balances to other credit cards with better rates—as Schantz has done. But because Capital One is the largest independent issuer of credit cards, its move may signal that similar rate increases are on the way from other credit-card providers. “It could definitely be a harbinger of things to come,” says Aaron Smith, a senior economist at Moody’s Economy.com. “They may have assumed more risk than other companies—but I would be very surprised if it was an isolated move.”
>
> That raises an important question: is Cap One’s rate increase the start of a widening credit squeeze? If so, it would be a direct result of the home-mortgage crunch, currently roiling financial markets worldwide. “We’re not in the same world as we were five or six months ago,” says Keith Leggett, senior economist at the American Bankers Association. “There is a growing risk aversion among market participants.”

Dollar, yen gain as investors turn risk averse

> The dollar and the yen rose on Thursday as a new bout of risk aversion gripped global financial markets owing to renewed concerns about the impact of problems in the US subprime mortgage sector.
>
> In late European trade, the euro slipped to 1.3783 dollars, from 1.3796 dollars in New York late on Wednesday.
>
> The dollar appeared to be benefiting from its status as a safe haven at times of financial instability, while the yen was boosted by unravelling of the high-risk "carry trade."

The carry trade is when investors borrow currency in countries with low interest rates, such as Japan, before selling it to buy assets in countries with higher interest rates, such as Britain, Australia or New Zealand.

"Unprecedented Disruptions" at Countrywide

Let's Review

August 2: It is important to note that the Company has experienced no disruption in financing its ongoing daily operations, including placement of commercial paper.

August 9: Countrywide Financial Corp. faces "unprecedented disruptions" in debt and mortgage-finance markets that could hurt earnings and the company's financial condition, the Calabasas, Calif., lender said in a regulatory filing.

I would like for the SEC to investigate the discrepancy between those two stories. Exactly when did Countrywide face "unprecedented disruptions" and exactly when was today's filing was prepared?

While the SEC is investigating that they may as well start looking into stuff like this:

The associated press is reporting Countrywide Financial Chief Executive Angelo R. Mozilo Exercises Options for 92,000 Shares.

> The chairman and chief executive of mortgage lender Countrywide Financial Corp. exercised options for 92,000 shares of common stock under a prearranged trading plan, according to a Securities and Exchange Commission filing Wednesday
>
> In a Form 4 filed with the SEC, Angelo R. Mozilo reported he exercised the options for shares on Wednesday for $14.69 apiece and then sold all of them the same day for $28.74 apiece.

Let's do the math. $14.05 * 92,000 = $1,292,600

That's a pretty big vote of no confidence. And it's surprising too given the August 2 statement by Eric P. Sieracki, Chief Financial Officer: It is important to note that the Company has experienced no disruption in financing its ongoing daily operations, including placement of commercial paper.

Hino, Daihatsu Shares Plunge Amid Fund Speculation

Fallout from the slumping U.S. housing market is spreading to Japan as some hedge funds face investor withdrawals, Matsuno said. The declines in the credit market may force as many as half of all hedge funds to close in the next five years, according to Jeremy Grantham, who oversees $150 billion as chairman of Grantham, Mayo, Van

Otterloo & Co. LLC in Boston.

[Black Mesa hedge fund warns of massive portfolio liquidation]

Black Mesa Capital, a hedge fund firm that uses computer models to track down arbitrage opportunities, has told investors that at least one very large hedge fund or investment bank is liquidating "massive" trading portfolios, according to a letter the Santa Fe, NM-based firm sent to investors on Wednesday.

That's causing disruptions and triggering losses among other so-called market-neutral hedge funds, Black Mesa said in its letter, a copy of which was obtained by MarketWatch on Thursday. "Clearly, something is amiss in the markets that few in our strategy, if anyone, have experienced before," Black Mesa wrote. The firm's hedge fund is down roughly 7.5% in August, through Aug. 7 and could be down as much as 10% since then, Black Mesa noted.

The Wall Street Journal reported on Thursday that a hedge fund run by Goldman Sachs called the North American Equity Opportunities fund has sold some of its positions recently.

[Mortgage defaults growing]

AIG said total delinquencies in its $25.9 billion mortgage insurance portfolio were 2.5 percent.

It said 10.8 percent of subprime mortgages were 60 days overdue, compared with 4.6 percent in the category with credit scores just above subprime, indicating that the threat to the mortgage market may be spreading.

While maintaining that it is "comfortable" with its mortgage exposure, AIG gave a gloomy assessment of the market in a presentation to investors and analysts.

[Why The Fed Is Stuck]

The subprime crisis and credit market troubles have effectively brought the abundant liquidity in the capital markets to an abrupt halt. While the Fed had previously been concerned about “the risk that inflation will fail to moderate”, it now seems it could have a bigger problem on its hands. The subprime crisis has put the horrible domestic housing market conditions on the front burner, and this has put the Fed in the tight spot of having to move towards a more neutral bias.

[America follows Japan's misguided path]

As to why the unwinding has taken so long to commence, only recently has the cause become clear: the mark-to-model fantasy employed by those who have bought the sliced-and-diced mortgage paper.

But the fantasy is unraveling as these structured-credit products are now slowly being marked to market. Just as virtually every subprime-mortgage lender has blown up, Alt-A lenders (the next rung up the ladder creditwise) will blow up -- and, ultimately, many hedge funds will blow up, though we're in the early days of that process.

In the years since our equity bubble peaked, trillions of dollars' worth of debt have piled up throughout corporate America. So now, as we enter recession, we will experience not just a weak economy, real-estate market and stock market, but the exacerbating effect of a mountain of bad debt, completing the analogy to Japan of the 1990s.

Alt-A mortgage-backed securities in firing line

Alt-A loans were originally designed for borrowers with clean credit records, but with other issues that often meant they provided fewer documents or even no documents showing what they earned. These loans were attractive to investors in mortgage-backed securities because they offered higher yields than traditional "prime" home loans, but were underpinned by the cleaner credit records of the borrowers.

However, delinquencies on Alt-A loans have risen this year, prompting action from rating agencies. Investors have become a lot less willing to buy such loans in the secondary mortgage market.

Standard & Poor's said on Tuesday that it may downgrade 207 classes of Alt-A residential mortgage-backed securities because of rising delinquencies on the underlying home loans. The 207 classes, which represent so-called Alt-A mortgages with an original total balance of approximately $913.9 million, were put on CreditWatch Negative, S&P said.
This is the biggest move on Alt-A so far this year by S&P.

Government regulations nurtured subprime mortgage crisis

Politicians have also been a key factor behind pushing lenders to lend to borrowers with lower prospects of being able to repay their loans.

The Community Reinvestment Act lets politicians pressure lenders to make loans to people they might not lend to otherwise - and the same politicians are quick to cry "exploitation" when the interest charged to high-risk borrowers reflects that risk.

The huge losses of subprime lenders, some of whom have gone bankrupt, demonstrate again the consequences of letting politicians try to micro-manage the economy.

Yet with all the finger-pointing in the media and in government, seldom is a finger pointed at the politicians at local, state and national levels who have played a key role in setting up the conditions that led to financial disasters for individual home buyers and for those who lent to them.

How Credit Got So Easy
And Why It's Tightening

The origins of the boom and this unfolding reversal predate last year's mistakes. They trace to changes in the banking system provoked by the collapse of the savings-and-loan industry in the 1980s, the reaction of governments to the Asian financial crisis of the late 1990s, and the Federal Reserve's response to the 2000-01 bursting of the tech-stock bubble.

When the Fed cut interest rates to the lowest level in a generation to avoid a severe downturn, then-Chairman Alan Greenspan anticipated that making short-term credit so cheap would have unintended consequences. "I don't know what it is, but we're doing some damage because this is not the way credit markets should operate," he and a colleague recall him saying at the time.

Now the consequences of moves the Fed and others made are becoming clearer.

Low interest rates engineered by central banks and reinforced by a tidal wave of overseas savings fueled home prices and leveraged buyouts. Pension funds and endowments, unhappy with skimpy returns, shoved cash at hedge funds and private-equity firms, which borrowed heavily to make big bets. The investments of choice were opaque financial instruments that shifted default risk from lenders to global investors. The question now: When the dust settles, will the world be better off?

SEC checks top Wall St firms for hidden subprime mortgage losses - report

The US Securities and Exchange Commission is checking the books at top Wall Street brokerage firms and banks to make sure they aren't hiding losses in the subprime-mortgage meltdown, the Wall Street Journal reported, citing people familiar with the inquiry.

Among the first firms to be looked at are Goldman Sachs Group Inc and Merrill Lynch & Co, the WSJ said.

The SEC is looking into whether Wall Street brokers are using consistent methods to calculate the value of subprime-mortgage assets in their own inventory, as well as assets held for customers such as hedge funds, the report said.

The dream of a home is fading for many

The dream of owning a home is fading away for many Americans with less than stellar credit.

> On Tuesday, HomeBanc Corp. said it will not issue any more loans, and Impac Mortgage Holdings Inc. shut down a type of loan called "alt-A" for people with limited documentation or slight credit issues.
>
> That followed bankruptcies at two of the country's biggest home lenders — American Home Mortgage Investment Corp. and New Century Financial Corp. — and tighter terms at most other lenders that are thus far surviving a shakeout in the industry.
>
> "Every day I hear about a number of lenders that are reducing their products," said George Hanzimanolis, president of the National Association of Mortgage Brokers. "It is going to take a while before the dust settles."

[Luminent Mortgage hit hard by margin calls]

> Late Monday, Luminent said its board of directors suspended payment of its second-quarter dividend. The board is also considering a "full range of strategic alternatives" to improve the company's liquidity and preserve shareholder value. Luminent shares fell $3.30 to close $1.08 on Tuesday. The stock was halted on Monday.
>
> "Effectively, the secondary market for mortgage loans and mortgage-backed securities has seized up," Luminent said in a statement. "As a result, Luminent is simultaneously experiencing a significant increase in margin calls on its highest-quality assets and a decrease on the financing advance rates provided by its lenders."

[Climbing off the real estate grid]

> Welcome to the non-ownership homeowner club. In this world, the New World Order, so carefully planned for you, we call it the New Serfdom. Serfs were entitled to the use of their land; they were also tied down by their land, tightly restricted.
>
> Serfs could escape by fleeing to a free town, remaining there for a year and a day. No such luck now; No escape for you.
>
> If you were really renting, the owner would be responsible when the place, built unbeknownst to you with shoddy materials and workmanship to cut the real cost, started to fall apart. This way you are the one who pays all costs.
>
> Recent changes in the bankruptcy laws are intended to viciously slander, defame and entrap you into lifelong slavery to your debts. This is not physical incarceration, it's financial imprisonment, and it's available, anywhere to anyone over the Internet. Today you can't even rent an apartment without a credit check.

[Contagions and Canada]

> The Canadian subprime market is growing, but it has a lower default rate than in the

> US, according to Dominion Bond Rating Service. Canada has been slower to adopt subprime mortgages, and borrowers can't deduct mortgage interest payments from their taxes.

[Canada's housing market cooling]

> Canadian housing starts fell 4.3 per cent in July to miss estimates while new home prices rose at a slower pace than in the prior month, suggesting a steady cooling of the domestic housing market....
>
> ...."The Canadian housing market is cooling, but at a steady pace, unlike its U.S. counterpart," Jennifer Lee, an economist at BMO Capital Markets wrote in a note. "Today's pair of housing indicators can attest to that."

[Manufacturing in crisis, McGuinty told]

> Canadians in general – and the McGuinty government in particular – need to wake up to the crisis in manufacturing in Ontario because it is only getting worse, says Jayson Myers, the new voice of hard-hit manufacturers.
>
> Myers, an economist who is taking over as president of the Canadian Manufacturers & Exporters, or CME, says the goods-producing industries are facing "a perfect storm" of damaging economic trends.
>
> Manufacturing, which has traditionally provided some of the most valued jobs in the province, is being hurt by the rising loonie, which makes exports to the United States more expensive, and fierce competition from emerging global giants such as China and India.
>
> At the same time, goods producers in Canada are trying to adjust to higher production costs as a result of rising prices and interest rates.

[Stelmach warns premiers to back off Alberta]

> Alberta Premier Ed Stelmach has warned other provincial leaders he won't tolerate any of their attempts to "gang up" on the energy-rich province and its climate-change policies at next week's premiers summit in
> Moncton.
>
> "The message is very clear: Don't mess with Alberta," he told reporters in Edmonton yesterday. "Alberta's boom is Canada's boom."

[Oilpatch risks turn from value creation to value destruction]

> For the first time in a generation, Alberta is facing a general strike within its construction trades that threatens to disrupt its booming oilsands industry and is introducing a new type of uncertainty --labour unrest.
>
> It's an absurd situation. Alberta has such a severe labour shortage the worker is king. Construction workers, in particular, are among the highest paid, most job secure, most coddled in the world. For its part, the oil industry is earning lavish profits, suggesting it should have plenty of cash to keep labour content as it presses ahead with ambitious oilsands investments.
>
> Underscoring this absurdity is the provincial context -- this is unfolding, after all, in redneck Alberta, where the union movement is about as cherished as the NDP and job action in the oil industry is a distant memory.
>
> Yet five large construction unions have been given strike mandates by their members and can walk out at any time. Another two are getting close to that position. Some 30,000 workers could be involved. They are turning down pay increases that would make most Canadians cringe with envy: 24% over four years, topping up salaries that often exceed $100,000 a year. (A pipefitter or a welder earns basic pay of $44.91 an hour).
>
> Unions know they have oil companies by the neck. The majority of construction workers are employed in projects in Fort McMurray or outside Edmonton related to the oilsands, where companies are under the gun to meet investor expectations while facing severe staff shortages as more projects ramp up.

County withdraws letter supporting Alberta nuclear reactor

> Woodlands County council is retracting a letter of support for a $6.2-billion nuclear power plant as the company behind the project decides where to build Alberta's first reactor.
>
> The council sent the letter in the spring, encouraging Energy Alberta Corp. to build the facility in nearby Whitecourt. But 300 people have since signed a petition asking the council to withdraw the letter until more questions are answered.

Natural gas sector ready for pumped up profits

> Relief is on its way for Canada's battered natural gas industry, a new report said today. Steady increases in natural gas prices this year means the sector will report solid profit growth during the next four years, the Conference Board of Canada said in an outlook report.
>
> "The industry's profitability will be helped by continued price increases that more than offset production declines," said Louis Thriault, Director, Canadian Industrial Outlook Service. "Profits are expected to grow annually by more than 10% on average over the next four years, due almost entirely to increasing North American demand that will

push prices upward."

The report said natural gas production in Canada will begin to fall this year and decline through 2011. Profits will rebound to almost $10.8-billion this year, from $9.8-billion in 2006, when they were under pressure from accelerating costs and softer natural gas prices.

"Declining production will also trim industry employment levels in 2007; therefore, overall labour costs are expected to fall for the first time in eight years," the Conference Board predicted.

B.C.'s coal bed dreams

Resource estimate is 19 trillion cubic feet (tcf) among three East Kootenay coal fields: Elk Valley, Crowsnest and Flathead. The Ministry of Energy, Mines and Petroleum Resources (MEMPR) says CBM exploration to date has been focused in the Elk Valley and Crowsnest fields.

MEMPR estimates the CBM resource potential on the Crowsnest field is 12 tcf. BP Canada is seeking tenure to conduct a five-year, CBM exploration program over 500 square kilometres.

A successful program would lead to a $3-billion capital investment over the estimated 50-year life of the project, and an estimated $2-billion in resource royalty payments from gas production peaking at 650 million cubic feet a day.

LNG ports can help slay Quebec's energy hogs

There is no surer political cause in Quebec these days than preaching the virtues of being green. So, the proponents of the province's two proposed liquefied natural gas terminals know it's not enough to pass environmental reviews with flying colours. If public opinion isn't on their side, the politicians won't be either. Premier Jean Charest's government must soon decide whether to grant a permit for the so-called Rabaska LNG terminal on the St. Lawrence River near Quebec City, after a joint federal-provincial environmental review panel rather categorically endorsed the $840-million project last month.

Mr. Charest's government has already given conditional approval to another LNG project, the $1-billion Gros-Cacouna terminal about 200 kilometres up river from the capital. But since that project also requires a nod from the federal National Energy Board to build a 240-kilometre pipeline, Gros-Cacouna might actually be much further from realization than Rabaska. Even with a nod from the NEB, Gros-Cacouna's promoters, Petro-Canada and TransCanada, shouldn't count their cubic feet.

When it comes to the environment, Mr. Charest has a solid track record of flip flops. In 2004, he approved, then quashed, Hydro-Québec's plans to build an 835-megawatt natural-gas-fired power plant known as Suroît, after environmental groups entered the fray. Ditto for the Premier's plan to allow private developers to take over part of the Mount Orford provincial park. Once his pet project, it's now been withdrawn.

Now, environmentalists have promised to turn Gros-Cacouna and Rabaska - a joint venture of Quebec's Gaz Métro, Calgary's Enbridge and Paris-based Gaz de France - into new versions of Suroît. Is the Premier again destined to cave?

LNG developers in the Northeast meet resistance

It's an unlikely spot to provoke an international dispute: a scraggly, unpaved lot on the Pleasant Point Indian Reservation with a striking view of Passamaquoddy Bay and the forested Canadian islands on the far shore. But that's just what has happened here as US energy developers clash with Canada's efforts to protect tourism, fisheries, and wildlife on the bay.

A few years from now, this could be the site of a sprawling industrial facility where liquefied natural gas (LNG) is unloaded from tankers, reheated into gaseous form, and pumped via pipeline to Boston, 325 miles to the southwest. Two more terminals have been proposed further up the bay, one of the last places in the Northeast where undeveloped rural land abuts protected, deep-water anchorages.

One proposed facility has stirred up a hornet's nest in St. Andrews, New Brunswick, a genteel resort across the mile-wide bay from where the tankers would tie up. The Canadian government, which controls the deep-water passage into the bay, has said it won't allow the LNG tankers through at all, citing environmental and safety concerns. The US maintains it has undisputed right of passage to its ports, and the conflict could wind up in international court.

"This is one of the last natural areas in our country," says Linda Godfrey of Save Passamaquoddy Bay, an umbrella group for LNG opponents on both sides of the border. "It is just totally incompatible with industrialization."

N.B. eyes more nuclear power

New Brunswick's new agreement with Team Candu, which will see the group investigate the construction of a nuclear power plant in the Saint John region, has given the province the lead in the race to develop a new North American nuclear power industry, according to Premier Shawn Graham.

In an interview with The Globe and Mail, Mr. Graham said the commissioning study is not only a decisive step forward that places New Brunswick at the vanguard of advances in nuclear power technology, but also provides further evidence that the province is capable of becoming an energy hub for the entire Eastern Seaboard.

On nuclear patrol in Durham

Armed, trained employees of Ontario Power Generation will replace police who have been guarding the Darlington and Pickering plants since 2001.

Starting in 2008, the new security force will be phased in over six years until an agreement with Durham Regional Police Service ends, OPG spokesperson Jacquie McInnes said, adding the plan to hire and train OPG's own armed security officers was a mutual decision with police.

Following the terrorist attacks of 9/11, the Canadian Nuclear Safety Commission ordered nuclear power stations to up security, with armed guards around the clock.

BC & Quebec premiers answer questions about east-west electricty grid

Q: About this national grid that's being asked, I know the final resolution was somewhat diluted, what was the original request? When we're talking about a national grid what exactly are the provinces asking?

A (BC Premier,Gordon Campbell): I can tell you that the idea behind the national grid was to make sure that the Canadian economy has an opportunity to benefit from Canadian energy sources. Frankly we do a lot of trading north-south in BC and we'll continue to do that. We see real economic opportunities with that but we see there are some economies that are in need of energy, I think Ontario, we just heard from premier McGuinty is going to eliminate all his coal-fired plants, he's going to need energy. So one of the things we're trying to say with that energy map is that we have the potential to be an energy powerhouse. Not just for Canadians with surge-free, top-quality energy, but with clean energy. We've got huge hydro resources, huge alternative energy resources. We should try & put those to use for Canada, and try to use those energy resources to build a stronger economy across the board.

Saskatchewan premier touts green highways

Saskatchewan Premier Lorne Calvert will try to sell other premiers on his vision of environmentally friendly highways at a meeting of provincial leaders this week in New Brunswick.
Calvert and other western premiers expressed their support for the idea of creating ethanol-gas stations along the Trans-Canada and Yellowhead highways last month at a meeting in Iqualuit, Nunavut.

The stations and certain segments of highway would serve E85 vehicles, which can run on a fuel blend of up to 85 per cent ethanol. Now, Calvert wants to get the rest of the country on board.

He will make a presentation to his provincial and territorial counterparts during the Council of the Federation meeting, which starts today in Moncton, N.B. "We're taking that to the national table," Calvert said yesterday. "Biofuels and the potential of biofuels, both economic and environmental, are good for Saskatchewan, and they're good for Canada."

[Canada joins Arctic fray]

> As Russian scientists returning from their Arctic mission were greeted like cosmonauts in Moscow yesterday, the U.S. Coast Guard dispatched an icebreaker toward the Bering Sea. And Canada sent out Operation Nanook 07, a 600-member joint forces team billed a "sovereignty operation" to the unlikely hot spot.
>
> "There's a lot of science going on, but these events also take on the character of a space race," said University of British Columbia international law expert Michael Byers. "We need to think of this as our moon mission, and that requires the same degree of political commitment. We're playing with the big boys here."
>
> The science described by Prof. Byers pertains to the Arctic countries -- Canada, Denmark, Finland, Iceland, Norway, Russia, Sweden and the United States -- that are jockeying for command over untapped oil, gas and mineral reserves in the melting waters.
>
> The U.S. Geological Survey estimates 25% of the world's undiscovered oil and gas reserves lie under the Arctic Ocean.
> Though each Arctic nation has a 200-nautical-mile exclusive economic zone from their shores, sovereignty beyond those lines isn't always clear. To validate their jurisdiction over seabeds, they must submit scientific evidence to a United Nations body that proves the area in question is a natural prolongation of their continental shelf.

> The federal scientist leading an urgent effort to gather sea floor data to back Canada's territorial claims in the Arctic is warning that his mission will be "in trouble" if ice conditions seriously disrupt fieldwork before the UN's 2013 deadline.
>
> Jacob Verhoef, director of the Atlantic division of the Geological Survey of Canada, told CanWest News Service Wednesday that "it's not realistic that all five field seasons will be perfect." And that, he said, raises a risk
> that the research needed to substantiate Canada's hoped-for extensions to its continental shelf in the North -- and obtain rights over potentially lucrative oil and gas deposits -- won't get done adequately or on time.
>
> "If everything goes right, it can work," he said. "You can make all the plans you want, but you can't predict the ice conditions.

[Russia vs. Canada at the North Pole]

> But companies like Temasek, called "national champions" in Europe, are themselves put up on a patriotic pedestal. I told you just a couple of weeks ago how the European Union's energy policy is running into one obstacle after another as national governments attempt to consolidate local firms into national utilities and producers. Those countries

are simultaneously using their respective companies to gain sway over neighbors as new energy-based spheres of influence take shape.

And there is no national champion like Gazprom. This brooding bear of Russian natural gas and provider of the majority of Europe's intake has been successful in forcibly renegotiating contracts with western project partners and reclaiming state assets that were sold during the post-Soviet era, all of which was done when fossil fuel prices were as low as the ocean floor.

Canada and Bush's North American Union Project

Look for a very strong backlash coming from the Canadian people, but also from the American and Mexican people, once they clearly understand what the Bush-Calderon-Harper trio has been concocting in near complete secrecy and with nearly no public debate whatsoever, over the last few years.

Indeed, the three relatively unpopular governments presently in charge in Washington, Ottawa and Mexico, have aligned themselves with very large corporations, most of them American owned, to lay the foundations for a new North American Union, (NAU) also called the "Deep Integration" project. This would be a new permanent alliance that would be de facto placed under American control. Canada and Mexico would have to harmonize many of their laws and regulations to suit the interests of big business and the undemocratic and imperial ambitions of the U.S. government around the world.

With such a plan for an enlarged continental integration at both the economic and political levels, we are far from the initial program of fair and free trade for goods and services and for removing barriers to trade between the three countries, as initially envisaged by the 1988 Free Trade Agreement, (FTA) between Canada and the United States. It has to be remembered that under the 1994 North American Free Trade Agreement (NAFTA), Canada not only accepted that Mexico be incorporated into the North American free trade zone, but made substantial concessions regarding the Investment Canada Act's rules for American take-overs of Canadian companies and for a privileged American access to Canadian energy resources.

This should have sufficed to keep the American market open to Canadian exporters. It seems that this is no longer the case. Large corporations and the U.S. administration alike want to take advantage of the terrorist threat to go much further in extracting concessions from Canada.

Video: Texas/NAU Superhighway Already Under Construction

First Nations Feel Betrayed by Canada at UN

Even though it took two decades to draft a U.N. Declaration on the Rights of Indigenous Peoples, Canada has been actively opposing the document for much of that time period.

The declaration was to be finalised on Nov. 28, 2006 at the U.N. General Assembly in New York before Native leaders charge it was driven into the "diplomatic ditch" by countries such as Canada, the United States and Australia....

....Despite Canada's international reputation as a beacon for human rights, a leader in aboriginal reconciliation and having an active treaty process, the record seems to suggest the opposite when it comes to the actual facts on the ground.

[Extreme weather the norm across globe]

The world this year has ?suffered record-breaking weather extremes in almost every continent, the United Nation's World Meteorological Organisation has warned, with global land temperatures reaching their highest levels since records began in 1800.

The floods, droughts, heatwaves and storms could be part of the climate's natural variations and cannot be directly attributed to climate change. However, such instances of extreme weather are consistent with predictions of what will happen as the world's climate grows warmer.

The findings may fuel concern that action to stem climate change should be taken now. Experts from the Intergovernmental Group on Climate Change have said the process would become irreversible if temperatures rise 3°C above pre-industrial levels.

The WMO said global land surface temperatures in 2007 were 1.89°C warmer than average for January, and 1.37°C warmer than average for April. It tracked an alarming incidence of unusually adverse weather from Europe and Asia to Latin America, the Middle East and Africa.

[Thursday, August 9, 2007 - New historic sea ice minimum]

Today, the Northern Hemisphere sea ice area broke the record for the lowest recorded ice area in recorded history. The new record came a full month before the historic summer minimum typically occurs. There is still a month or more of melt likely this year. It is therefore almost certain that the previous 2005 record will be annihilated by the final 2007 annual minima closer to the end of this summer.

In previous record sea ice minima years, ice area anomalies were confined to certain sectors (N. Atlantic, Beaufort/Bering Sea, etc). The character of 2007's sea ice melt is unique in that it is dramatic and covers the entire Arctic sector. Atlantic, Pacific and even the central Arctic sectors are showing large negative sea ice area anomalies.

[More Americans Warm Up To Homes in Newfoundland]

Climate change is attracting some of the tourism. The average temperature during the summers in Newfoundland and Labrador has increased by nearly four degrees Fahrenheit over the past 20 years, says David Phillips, the Canadian government's senior climatologist. From 2001 through 2005, there were an average of 123 days when the weather was 77 degrees or warmer. In 1991-1995, it averaged just 63 days. Over the last 50 years the growing season - the gap between winter's last frost and autumn's first - has widened by three weeks.

[Scottish puffin population starving in climate change]

In the darkness of their burrows, the puffin chicks starve to death while food lies decomposing in front of them. They are not able to swallow the snake pipefish brought back from the North Sea by their parents because it is covered in a hard exo-skeleton.

With no fat on their bodies, the pufflings soon perish. Shunned even by predators, they are left to decay atop the cliffs of St Kilda - the latest victims of climate change.
As an iconic symbol of Scotland's wildlife, the Atlantic puffin is a bird cherished by nature enthusiasts.

But the long-term sustainability of the puffin population in one of the most internationally important breeding colonies is uncertain - St Kilda's clowns of the sea are starving to death. The National Trust for Scotland (NTS) says the adult seabirds are not finding enough food around the archipelago, west of the Outer Hebrides.

With about half of Britain's population, few of the World Heritage Site's puffins are coming of age, which some conservationists say is leaving the entirety of the birds' population "verging on catastrophe".

The most recent survey suggests there are 284,528 Atlantic puffins on St Kilda's uninhabited islands, which accounts for around a quarter of the entire UK population.

Yet barely over half of the eggs hatched fledged chicks last year. While that figure of 57 per cent represents an increase on 2005's all-time low of 26 per cent, it remains perilously below the average, which stands at about 71 per cent.

[Coral reefs are vanishing faster than rainforests]

Coral reefs in the Indo-Pacific are disappearing twice as fast as tropical rainforests, say researchers. They have completed the first comprehensive survey of coral reefs in this region, which is home to 75% of the world's reefs.

John Bruno and Elizabeth Selig of the University of North Carolina at Chapel Hill in the US compiled data from 6000 studies that between them tracked the fate of 2600 reefs in the Indo-Pacific between 1968 and 2004. They used the extent to which reefs were covered by live coral as an indication of their health.

"The corals themselves build their limestone foundation, so if the surface of the reef is not covered with live tissue that is continually secreting it, the reef can erode fairly quickly," explains Selig.

She and Bruno found that coral cover declined by 1% per year on average between 1968 and 2004. For comparison, tropical rainforests declined by 0.4% per year between 1990 and 1997.

In the early 1980s about 40% of reefs were covered with live coral, but that number had halved by 2003. Today only 2% of Indo-Pacific reefs have the same amount of live coral as they did in the 1980s.

That's much less than expected, says Selig. She explains that it was generally thought that Indo-Pacific reefs were faring much better than Caribbean reefs, a bias she believes stems from the fact that Caribbean reefs have been studied more extensively. Caribbean reefs are declining by 1.5% a year.

The researchers found little difference between protected and unprotected reefs. "Well-managed reefs are definitely doing better in terms of fish population but not in terms of coral cover," Selig told New Scientist.

This uniformity has led Selig and Bruno to conclude that warming seas as a result of climate change are likely to be driving the rapid decline. Warmer oceans cause coral bleaching because higher temperatures kill their symbiotic algae. They also help diseases spread across reefs.

Massive slide covers entire glacier

A massive slide that hit Mount Steele could be the largest in the recorded history of the Yukon.
Mount Steele, which stands 5,067 metres tall and is the fifth-highest peak in Canada, recently had two slides take place in the same area, on the northern face of the mountain.

The second slide was by far the larger of the two and occurred on July 24, two days after the original slide.
It was the equivalent of a 3.5-magnitude earthquake and was big enough to generate a seismic signal that could be picked up around the world.

Bacteria revived after 8 million years in Antarctic ice

Microbes frozen in the oldest ice on Earth have been thawed out and brought back to life in the laboratory, providing new insights into how long living creatures can be frozen.

However the poor health of the thawed-out microbes has led their discoverers to cast doubt on a notion long cherished by some — that life on Earth arrived here on comets from outside our solar system.

After thawing ice from the Mullins and Beacon valleys in Antarctica, Kay Bidle, a microbiologist at Rutgers University, New Jersey, and colleagues discovered life in water from even the oldest samples — estimated to be around eight million years old. Microorganisms have been found alive in very old ice from another Antarctic site before now, but they date back only about 300,000 years, says Bidle.

No such thing as a free lunch?

> **They eat food they find in bins and are driven by conscience, not financial need. Meet the freegans.**
>
> There's no such thing as a free lunch, so the saying goes, but freegans beg to differ.
>
> They only eat food they can scavenge for free from supermarket dustbins. Most is only just past its sell-by date, some is still within it but the packaging has been damaged.
>
> The freegan philosophy of "ethical eating" is a reaction against a wasteful society and a way of highlighting how supermarkets dump tonnes of food every year that is still edible.
>
> They argue capitalism and mass production exploit workers, animals and the environment. For the most extreme proponents, freeganism - the name combines free and vegan - is a total boycott of the economic system.
>
> The "urban foragers" do not like to reveal the exact location in which they operate so as not to alert store managers to their after-hours work. In America they call it "dumpster diving" and when the shops shut, that's what they do.
> Freegans Paul and Bob operate in a suburb of Manchester and have a network of bins that provided rich pickings.

Imports feed risk of disease

> Up to 13 million Canadians -- more than 40 per cent of the population -- will suffer from foodborne illnesses this year, at a cost of $1.3 billion in lost productivity and medical expenses, medical experts say.
>
> E. coli-tainted spinach from the U.S.; cantaloupes from Costa Rica contaminated with salmonella; and pet food containing a toxic chemical imported from China -- these recent safety scares have raised serious questions about the security of Canada's food supply and sparked criticism that the government and food industry don't do enough to ensure that food from other countries is safe.
>
> Some fear things will only worsen as large and small grocery stores rely increasingly on food grown abroad that Canadian officials will probably never inspect.
>
> Last year, Canada imported $19.2 billion worth of food from 195 countries and jurisdictions, according to Statistics Canada. While more than half the imports -- about $11.6 billion worth -- came from the U.S., Canada also spent about $756 million in China, $607 million in Brazil, $599 million in Mexico, $91 million in the Philippines, nearly $66 million in Malaysia, $26.8 million in Iran and $24 million in Ghana.
> Food imports were up 21.5 per cent from 1996 to 2006, Statistics Canada says.

Canada could face infrastructure crisis: expert

> Infrastructure such as roads, sewers and bridges is something people pay little attention to -- until it fails. Following the bridge collapse Wednesday in Minneapolis and a similar one in Quebec last year, Canadians have every right to worry.
>
> Bridges in Canada have reached 49 per cent of their useful life, according to a 2006 Statistics Canada study, and experts warn our country's roads, wastewater plants and other infrastructure isn't in any better shape.
>
> Saeed Mirza, a professor of civil engineering at Montreal's McGill University and a nationally recognized expert on infrastructure, calls the state of Canada's infrastructure "disastrous" and warned that more bridge collapses and other failures could be on the way.
>
> "If we do not maintain our infrastructure, do not upgrade it, we'll continue to have spectacular collapses," Mirza said.
>
> According to a recent study Mirza completed for the Federation of Canadian Municipalities (FCM), based on present estimates Canada needs $100 billion to upgrade its roads, bridges, sewer plants and other vital infrastructure.

4,000 a week trying to leave UK

> The country's biggest foreign visa consultancy firm has revealed that applications have soared in the last seven months by 80 per cent to almost 4,000 a week. Ten years ago the figure was just 300 a week.
>
> Most people are relocating within the Commonwealth – in Australia, Canada and South Africa. They are almost all young professionals and skilled workers aged 20-40.

Infrastructure repair a daunting political task

> On Wednesday, key lawmakers pledged to push for billions of dollars in funding to repair U.S. transportation infrastructure when Congress returns next month from its summer recess. But they will run into plenty of political obstacles.
>
> For one, the number of structurally deficient or functionally obsolete bridges -- more than 150,000 or about one-fourth of the nation's bridges -- would require an enormous investment: $65 billion, or perhaps more. That's more than the Department of Homeland Security expects to spend next fiscal year.

Welcome to America

> Since September 11 2001, any traveller to the US is treated as a potential security risk. The Patriot Act, introduced 45 days after 9/11, contains a chapter on Protecting The Border, with a detailed section on Enhanced Immigration Provision, in which the

paragraph on Visa Security And Integrity follows those relating to protection against terrorism. In this spirit, the immigration and naturalisation service has been placed, since March 2003, under the jurisdiction of the new department of homeland security. One of its innovations was to revive a law that had been dormant since 1952, requiring journalists to apply for a special visa, known as I-visa, when visiting the US for professional reasons. Somewhere along the way, in the process of trying to develop a foolproof system of protecting itself against genuine threats, the US has lost the ability to distinguish between friend and foe. The price this powerful country is paying for living in fear is the price of its civil liberties....

....Someone must have listened, because the press office at the department of homeland security recently issued a memo announcing that, although the I-visa is still needed (and I've just received mine), new guidelines now give the "Port Directors leeway when it comes to allowing journalists to enter the US who are clearly no threat to our security". Well, fine, but doesn't that imply some journalists are a threat?

Maybe we are. During my surreal interlude at LAX, I told the officer taking my fingerprints that I would be writing about it all. "No doubt," he snorted. "And anything you'll write won't be the truth."

FISA and the Caterpillars of the State

Friday the Congress moved to legalize the Administration's unconstitutional wire-tapping and assorted other so-secret-we-don't-know-what-they-are anti-terrorism measures. A happy to no longer be an outlaw President signed the bill, so that we now have an official, unconstitutional law governing the President's ability to do whatever the hell he wants. What a relief. Congress legally passing laws the Constitution says in plain English Congress can't pass seems a bit iffy, but I guess five ninths of the Supreme Court can sort that out.