The Oil Drum: Canada
DISCUSSIONS ABOUT ENERGY AND OUR FUTURE

The Round-Up: August 7th 2007

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Will the Fed cut interest rates to alleviate the developing credit crunch, and will it have the desired effect if they do? Can lowering the cost of credit overcome risk aversion and the fear of cascading default? If not then the Fed will not be able to prevent the contraction of the money supply and the spread of contagion amid a sea of margin calls.

In Canada, oil sands fever continues unabated and a drilling frenzy may be shaping up in the Arctic. One political leader urges the defence of sovereignty in the Arctic, while another holds talks on North American Union well away from the public eye. In Ontario, businesses are paid not to consume power.

On the climate front, northern infrastructure faces a serious challenge as melting permafrost undermines it's foundations, while Australia experiences a 1000 year drought.

Finally, we remember that 62 years ago, the world was waking up to the beginning of the nuclear weapons age.

Mortgage Maze May Increase Foreclosures

> And the very innovation that made mortgages so easily available — an assembly line process known on Wall Street as securitization — is creating an obstacle for troubled borrowers. As they try to restructure their loans, they are often thwarted, lawyers say, by strict protections put in place for investors who bought the mortgage pools.
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> This impasse could exacerbate the housing slump, pushing more homeowners into foreclosure. That would lead to a bigger glut of properties for sale, depressing home prices further.
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> “Securitization led to this explosion of bad loans, and now it is harder to unwind and modify them even where it is in the best interests of both the borrower and the investors,” Kurt Eggert, an associate professor at the Chapman University School of Law in Orange, Calif., said in an interview. “The thing that caused the problem is making it harder to solve the problem.”
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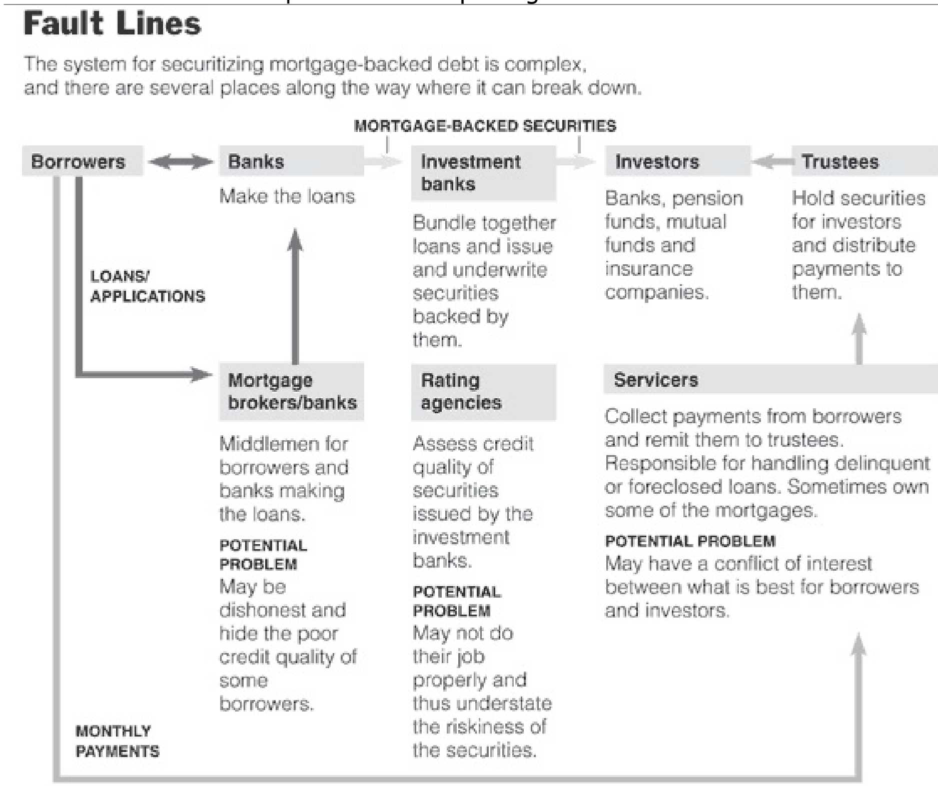
> Creating difficulties is the complex design of mortgage securities.



[Will Rate Cuts Save The Economy?]() (Jim Cramer Says ["Yes"](), Mish says "No")

> So we've seen what Cramer has to say, let's take a serious look at whether Fed rate cuts will save the economy and why I believe the answer must be "no".
>
> The first reason is that long term rates (the 10 year treasury), simply may not decline when the Fed starts cutting. Does anyone remember "Greenspan's Conundrum"? If not, Greenspan was perplexed as to why long term rates did not rise much as a series of 17 consecutive rate hikes by the Fed were made. On that basis it is therefore entirely possible that when the Fed starts cutting (and they will), that long term treasury rates may not follow. Clever readers will now be asking "Wait a second Mish, you said may and now you are presuming will. What gives?"
>
> That brings up reason number two. Everyone knows Mortgage rates are directly tied to the 10 year treasury note. Or are they? I have been stating for well over a year that mortgage rates would disconnect from the 10 year treasury note. Some have laughed at me for that viewpoint. But my reason was simple: increasing default risk would eventually force it.

[Bait & Switch Ben: Was the Bernanke Put Just a Ruse?]()

> The irony of this is that Bernanke got his current job in part because he is an expert on the Great Depression. Ostensibly, he was brought in to prevent another one, as the economy still looked like it might drown in a deflationary spiral at the time. He famously admitted that it was the Fed that caused the first depression, but assured us that they wouldn't do it again.

But to paraphrase Jesse Livermore: The Mistake family is large. Even if you never meet the same Mistake, you're liable to meet one of his brothers, uncles or cousins.

Ben is in a bind - one that I certainly don't envy him for. He won't want to jeopardize his budding reputation as an inflation hawk by lowering rates. On the other hand, he doesn't want to cause a credit collapse, either. A severe collapse might herald the long awaited global cascading chain of cross defaults, followed by pervasive deflation, and the start of the second great depression. The irony would not be lost that the expert on the first great depression inadvertently wound up causing the second.

[The Open Ocean]

Cramer's histrionics were only a few clicks above his normal antics on the "Mad Money" show, but even so, they made a remarkable impression of someone in real, not mock, despair. He mentioned more than once during the tirade that he'd been on the phone all week with other interested parties who were begging him to do something about the rising bloodbath on Wall Street. And by "do something," they clearly meant that Cramer should go on his TV show and make an appeal to Federal Reserve chief Ben Bernanke to drop the prime interest rate at the Fed's meeting this coming Tuesday -- the purpose of which would be to make cheaper loan money available to the Wall Street players whose investment houses suddenly found themselves underwater in the churning straits off Hedge Fund Island, weighed down by bagfuls of worthless securitized non-performing mortgages.

Personally, I don't quite get how a financial industry based on bad loans would be helped by borrowing more money to bail out a hopelessly unwinding Ponzi loan racket of the type the industry had engineered for itself -- but maybe I'm lacking the gene for financial creativity that the Bear Stearns bonus babies were all born with.

[The Lie That Will Kill Hedge Funds]

But things are much worse than they seem. The "marks" -- meaning what the bonds in their portfolio are marked or priced at -- is some last sale price, presumably around par because they don't trade.

A redemption notice forces the trade. There are no buyers. That's how a Sowood could be down 10% at the end of June and 50% a few weeks later.

Nobody is getting anywhere near the price of the bonds, which has become subjective anyway because of the number of defaults within the bonds.

All over the Street, these redemptions are happening. All over the Street, those doing these strategies are being wiped up. There are not enough people who were short this stuff to buy it at what might turn out to be pretty good prices unless all the mortgages within the security are going to be wiped out.

I would bet that half of these funds are gone this year. They represent trillions of dollars.

> You will hear a lot of chatter about "the resetting of risk premium" right now. And it is true. But what's really going on is lying prices. These strategies didn't take into account the risk of default. The agencies didn't take it into account. The packagers didn't. The homebuilders that relied on it didn't.

LBO `Freeze' Shuts Wall Street Pipeline; $1.3 Billion Dries Up

> The takeovers have depended on the banks finding investors to buy debt. LBO firms use borrowed money to fund about two thirds of the cost of the deals. Bankers typically earn fees of 2 percent for underwriting loan sales for buyouts.
>
> "Private equity has been an engine of growth for us and the industry in general," said Gary Crittenden, chief financial officer of Citigroup Inc., the biggest U.S. bank, on a July 27 conference call with investors. "I would be stretching the truth if I said that our business plans anticipated what just happened in the past four to six weeks in the leveraged loans business and the potential impact that it could have on the private-equity market."
>
> Until last month, demand from investors was so strong that buyout firms were able to borrow with fewer restrictions, using so-called covenant lite securities and pay-in-kind bonds that allow companies to pay off debt by issuing new debt.

Mortgage crisis may prompt Fed to cut rates

> Problems in the subprime mortgage market have spread into other parts of the home loan market, causing the private, secondary mortgage market to freeze up. That's limiting the availability of some home loans. The troubles have also infected the leveraged-loan and high-yield debt markets, widening corporate credit spreads and derailing financing for some leveraged buyouts.
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> "The central bank can do something to help alleviate all this stress," Maury Harris, chief U.S. economist at UBS AG said in a recent interview with MarketWatch.
>
> "Whether widening spreads are good or bad for the stock market depends on the central bank response," he added. "Spreads could come back if the Fed cuts interest rates."....
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> ...."Then finally there's the implication of a big increase in risk aversion," Crandall said. "That's when everything's coming together at once and the system is most exposed."....
>
> ....But if borrowing costs remain higher for companies, such strength in business spending could wane, Crandall said.
>
> "Prospects for capital spending are a lot murkier than they were earlier in July," he said. "Conditions we're experiencing right now would have a noticeable effect on economic activity if they persist."

What’s a Fed Chairman to Do?

> The end of cheap credit may be overdue. In the last few years, Wall Street has taken advantage of cheap money to make loans and finance takeovers that may not have made economic sense, said Robert DiClemente, chief United States economist for Citi — formerly called Citigroup.
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> “At the core this is a healthy adjustment,” Mr. DiClemente said.
>
> But the speed with which credit markets have tightened is unnerving, rippling through the financial markets for stocks and bonds and sending investors into retreat. “I’m a little nervous that this could be a brush fire that could get out of hand,” Mr. DiClemente said.
>
> The Fed meets on Tuesday, and Mr. Bernanke must decide whether to allow the credit crunch to play out on its own or to step in by lowering interest rates....
>
> ....The biggest blight on Mr. Greenspan’s tenure as Fed chairman is the technology stock bubble of the late 1990s, which led to the plunge in the Nasdaq index between 2000 and 2002. Mr. Greenspan was partly at fault for that bubble, Mr. Bernstein said, because he allowed markets to believe that he would always make credit available if they ran into trouble.
>
> By taking a firm line in the current credit crunch, Mr. Bernanke can show investors that they cannot count on the Fed to save them from market swings, Mr. Bernstein said.
>
> “This would be a good time for the Fed to impose some discipline on financial markets that we haven’t seen in a while,” he said.

Federal Reserve isn't in any hurry to come to the market's rescue

> Face it: Risk-taking doesn't come with guarantees. That means no one should count on the Federal Reserve to bail us out of the current credit slump so quickly.
>
> As stock and bond markets swoon over worries about weakening debt, more investors seem to be thinking the Fed will soon come to the rescue by lowering interest rates.
>
> Investors may be getting ahead of themselves. There's a new sheriff in town: Ben Bernanke. As long as the credit fallout doesn't look like it's spilling over into a full-fledged economic collapse, his central bank might not be quick to meddle.

Search for a scapegoat finds Greenspan

> With investors having lost the odd trillion in recent weeks, the hunt is on for a scapegoat. Washington pundits are not famous for their kindness to politicians, regulators and other out-of-power figures to whom they no longer crave access. So it should come as no surprise that Alan Greenspan has been nominated as the culprit, and that the process of chipping away at the pedestal on which he stands has begun.

The recent volatility in share prices, the tightening of credit that has made several proposed private-equity deals uneconomic, and the collapse of the sub-prime mortgage market and with it several hedge funds are all due to – you guessed it – the former chairman of the Federal Reserve Board.

The Pain Moves Beyond Subprime

Subprime woes have moved far beyond the mortgage industry. Already, at least five hedge funds have blown up. The latest worry is that a recent slump in the markets for corporate loans and junk bonds will deepen, jeopardizing the financing of leveraged buyouts, a big profit driver for investment banks. What's more, fears are growing that banks may be on the hook for some of the $300 billion in loan commitments they've made for buyouts already in the pipeline. The mood has gone so somber that derivatives traders are betting that bonds issued by major investment banks will tumble to near junk territory. Goldman Sachs Group Inc. (GS) and Lehman Brothers Inc. (LEH) are being seen as no more creditworthy than casino operator Caesars Entertainment Inc., according to an analysis of derivatives trades by Moody's Credit Strategies Group.

Martian Economists and BLS Moonbats

The Fed's biggest fear should be of a collapsing economy, falling jobs, and a rising unemployment rate. And all three are going to happen. Look at the unemployment rate. It has bottomed and only has one way to go: up.

Already foreclosures are at record levels nearly everywhere. Clearly consumers are cash strapped. Even a modest 1% rise in the unemployment rate would wreck consumer's ability to meet debt obligations. All those who foolishly plowed into housing at absurd prices they could not afford (making wall street insiders filthy rich by unloading worthless CDOs for enormous fees to unsuspecting and/or greedy pension plans and insurance companies) are now facing margin calls of their own.

Essentially that is what is happening. Overleveraged consumers are now facing margin calls on their houses. For a while, home owners were able to meet those margin calls by borrowing still further against rising asset prices. Now that home prices are no longer rising, there is no means to make those margin calls. Rising unemployment is sure not going to help any.

Bursting Of credit Bubble Underlies Stock Market Turbulence

Under conditions where cheap and plentiful credit—much of it based on high-risk investments and speculative corporate buyouts—has been the indispensable ingredient in the stock market boom of the past several years, a credit crunch threatens to precipitate a wave of bankruptcies among corporations, hedge funds and private equity firms, and major commercial and investment banks both in the US and internationally.

> Already big banks are issuing margin calls to shaky hedge funds heavily invested in home mortgages and demanding that existing loans be restructured, with higher interest rates. There are reports that banks are cutting back on loans more generally, in part to shore up their own defenses against the prospect of billions in loans they have extended going bad.

Banks tighten standards on more types of home loans

> U.S. mortgage lenders like Wells Fargo and Wachovia are raising interest rates and imposing stricter standards on some of their most creditworthy borrowers as slumping demand in the mortgage bond market chokes off financing.
>
> On Friday, Wells Fargo, which is based in San Francisco, curbed its financing of so-called Alt-A loans, which are made to some borrowers with good credit ratings but without documented income, or to buyers of second homes. On the same day, Wachovia, which is based in Charlotte, North Carolina, stopped making Alt-A loans through brokers and smaller lenders and curtailed some adjustable-rate mortgages, said a spokeswoman, Christy Phillips-Brown.
>
> "The credit crunch is here," said Keith Shaughnessy, president of Foundation Mortgage in Littleton, Massachusetts.
>
> Making it tougher for the most creditworthy borrowers to get mortgages may worsen the two-year-old housing slump and threaten U.S. economic growth by reducing the number of people who can buy houses or how much they can afford to pay.

Turmoil unnerves mortgage lenders

> Lenders are quickly closing the door to borrowers with low credit scores, small down payments for a new home or little equity in their current homes. Homeowners and buyers in high-cost areas such as California, Florida and the Northeast are also reeling as lenders chop "jumbo loan" programs.
>
> "The market for virtually any loans with the slightest element of risk has effectively disappeared," John Bollman, an executive vice president at Cleveland-based National City Mortgage, wrote to his employees.
>
> In explaining the company's latest pricing and product changes that will weed out some of these borrowers, he said, "I have been a mortgage banker for 20 years and have never seen such a severe reaction to credit risks in the market place ... (and) things may even get worse before they get better."

Real estate recovery hopes fizzle with rise of mortgages in default

> While actual foreclosure sales aren't increasing as fast, experts say lenders, court clerks

and lawyers are having a hard time keeping up with all the filings. They expect a significant surge by the end of the year as more adjustable-rate mortgages come due.

"Everybody's inundated and overwhelmed," said David Dweck, founder of the Boca Real Estate Investment Club. "Sales are taking longer to get to the courthouse steps."

Circuit Court Judge Jeffrey Colbath handles all foreclosures in Palm Beach County. He devotes a day and a half a week to the 7,000 cases in his division but says he might have to set aside even more time in the months ahead.

"There are a lot of different stories that lead people into my world," Colbath said Friday. "The worst of it has not come yet."

Another Reason For Those Empty Houses

In the long run, though, demand for housing tracks pretty closely with trends in marriages, births, immigration, and income growth. It appears now that builders misread the evidence and built at a pace above the long-term demographic trend. "The influx of investors and speculators was much, much bigger than anybody appreciated at the time," says David Seiders, chief economist for the National Association of Home Builders.

Fannie and Freddie Limiting the Bailout

Fannie and Freddie have a Federal charter that requires them to provide liquidity and stability to the mortgage market. However, those organizations made it clear on Friday that any help will be limited....

...."We will continue to work with our lender customers to provide additional liquidity where we can to help stabilize and support the market," Faith added.

However, another person close to Freddie Mac who didn't want to be identified stressed that Fannie and Freddie aren't just going to buy up non-conforming loans to bail out troubled players in the secondary market.

Freddie CEO wary of more subprime loans

The head of Freddie Mac, one of the biggest U.S. mortgage finance companies, dismissed suggestions that his company should step in to bolster sagging financial markets by buying distressed loans, the New York Times reported on Saturday.

Freddie Mac chief executive Richard Syron said he was wary of calls for Freddie Mac and fellow mortgage finance company Fannie Mae to buy loans and securities no longer favored by private investors, the Times said.

With credit pools drying up "there are some loans that are in difficulty," the Times quoted Syron as saying in a telephone interview.

"There are other loans that probably should never have been made and providing more liquidity will make that situation worse in the long term," Syron told the Times.

U.S. Housing Is Among `Biggest Bubbles,' Rogers Says

The U.S. subprime-market rout that wiped out $2.1 trillion from global share values last week has "got a long way to go," said Jim Rogers, who predicted the start of the commodities rally in 1999.

This week's rebound in equity markets hasn't persuaded Rogers, 64, to pull out of bets that U.S. investment banks and homebuilders are heading for further declines.

"This was one of the biggest bubbles we've ever had in credit," Rogers, chairman of New York-based Beeland Interests Inc., said in an interview from Hong Kong.

Bonfire of the Builders

Sheer overbuilding, a symptom of every housing bubble, is the most obvious explanation for the new ghost towns sprinkled around the country. But increased builder lending helped feed the trend. Statistics are scarce because developers don't break out their lending revenues, but some analysts track "capture rates," or the percentage of home sales financed by builders themselves. Pulte Homes, the largest developer by market cap, had a capture rate of 90% last year, up from 64% in 2000, according to Daniel Oppenheim of Banc of America Securities (BAC). No. 3 Centex had a rate of 80% for the fiscal year that ended in March, up from 61%.

By the time marginal buyers fall behind on their payments, the builder has usually sold off their loans to Wall Street. But the human fallout can be found in neighborhoods around the country.

Bear Stearns says it's weathering 'extreme' credit storm

Bear Stearns (BSC) said Friday that it is weathering the worst storm in financial markets in more than 20 years after a major rating company warned mortgage credit problems could hurt the investment bank's profits.

Bear Stearns' chief financial officer said the shockwaves hitting lending markets, triggered by rising mortgage losses, were as bad as crises such as the Internet bubble bursting in 2001 or the 1998 collapse of hedge fund Long-Term Capital Management.

"These times are pretty significant in the fixed-income market," CFO Sam Molinaro said on a conference call with analysts. "It's as been as bad as I've seen it in 22 years. The

> fixed-income market environment we've seen in the last eight weeks has been pretty extreme."

[Return of the Robber Barons]

> Over the entire year, the US economy created merely 51,000 jobs in architectural and engineering services, less than the 76,000 jobs created in management and technical consulting (essentially laid-off white collar professionals).
>
> Except for a well-connected few graduates, who find their way into Wall Street investment banks, top law firms, and private medical practice, American universities today consist of detention centers to delay for four or five years the entry of American youth into unskilled domestic services.
>
> Meanwhile the rich are getting much richer and luxuriating in the most fantastic conspicuous consumption since the Gilded Age. Robert Frank has dubbed the new American world of the super-rich "Richistan".

[Why I’m Calling BS on Loan Center of California’s Suit Against the Implode-O-Meter]

> Here at Blown Mortgage we’ve been a large champion of ML-Implode’s simply because a defeat for them would be a defeat for all small web site operators. Anyone who operates a blog or a web site expressing an opinion would be in the precarious situation of having legal precedent looming over their head with every post or update. Any well capitalized organization could use this case to silence opposing view points expressed online. Dangerous is not a strong enough word to describe an environment such as this.

[Concerns grow over credit turmoil on Wall St]

> Concerns about the impact of the credit market turmoil on the Wall Street banks mounted on Friday as Standard & Poor’s said there was an increased chance of it cutting its credit rating on Bear Stearns....
>
> ....The Wall Street banks are exposed both to the problems in the US subprime mortgage market and to investors’ reluctance to buy debt in leveraged buy-outs. This could leave the banks holding billions of dollars in loans they have committed to private equity funds....
>
> ....Credit ratings are particularly important for broker dealers like Bear Stearns, which are heavily dependent on the capital markets to fund their balance sheets.

[Subprime crisis could hit small European banks-analysts]

> IKB's (IKBG.DE: Quote, Profile, Research) trouble with billions of euros of losses from subprime market bets shows other smaller European banks may not be immune, and analysts see German ones most at risk.
>
> "There is no doubt there will be other surprises like IKB," said the head banking analyst at an investment bank in London. "It could be a German public bank or a French or Spanish savings bank or a bank you never would suspect could pop up."

[IKB owner plays down talk of higher subprime losses]

> The biggest shareholder of IKB, a German lender stricken by the U.S. subprime mortgage crisis, has played down a report IKB (IKBG.DE: Quote, Profile, Research) could lose more than the 3.5 billion euros ($4.8 billion) banks have set aside in a rescue package.
>
> Responding to an article claiming that the losses could mount to 5 billion euros, government-owned lender KfW told Reuters on Sunday that such estimates were guess-work.
>
> "Talk of bigger numbers is complete speculation," said a spokesman for the bank, which owns 38 percent of IKB.
>
> IKB, which lends to small- and mid-sized firms, has become Europe's highest-profile casualty so far of the crisis in U.S. subprime mortgage market.

[Hidden U.S. subprime losses may mirror Japan bank crisis]

> Investors and banks holding on to U.S. subprime mortgage bonds in hopes of a recovery in value may make losses worse, mirroring the Japanese banking crisis in the 1990s, according to authors of a new report.
>
> The Japanese banking crisis, triggered in the early 1990s by a slumping property market and brokerage collapses, led to a decade-long credit crunch. The government subsequently had to step in to stabilize the banking system by injecting public money into top banks.
>
> "The Japanese experience of holding large losses as opposed to taking a hit and moving on was a direct cause of the Japanese malaise," said Josh Rosner, co-author of the report and a managing director at Graham Fisher, an investment research firm in New York.
>
> The new report, "Financial Services Exposures to Subprime," said "there are many institutions with significant levels of embedded losses that have not yet been recognized as a result of questionable valuations."

[New Asian Contagion Risk -- This Time From U.S.]

It has to be one of the biggest ironies in global finance. Ten years ago, it was contagion from Asia imperiling the global economy. For months after Thailand devalued its currency in July 1997, U.S. officials reassured markets that Asia's woes were containable. Once the Dow Jones Industrial Average began plunging several hundred points in a day, investors knew better.

Eerily familiar noises are coming from Paulson these days. In Beijing last week, he said the U.S. economy is "healthy" enough to weather ongoing market declines. One hears similar reassurances from top economic officials near and far.

Yet Paulson's confidence in an economy facing the worst housing recession in 16 years and massive current-account and budget deficits isn't reassuring. It smacks of deepening denial at a time when policy makers like Guinigundo say "the risks of contagion can't be downplayed."

Asia has come a long way since 1997, as Asian Development Bank President Haruhiko Kuroda explained in Coolum. Banks are far more stable, currency reserves have been amassed, and governments are modernizing and integrating financial systems.

"There are many risks to consider, but Asia seems able to handle it," Kuroda said.

Asia's post-crisis recovery is a work in progress, though, and one shouldn't overstate the extent to which Asia has decoupled from the U.S. economy. While Asia's rapid growth and booms in both China and India mean it's less reliant on the U.S., the region isn't ready to live without U.S. demand.

Shipping costs rise on Chinese demand

Peter Norfolk, of London-based shipbrokers Simpson Spence and Young, said that the annual growth of the tonnes-miles indicator – which tracks the weight of commodities transported and the length of the routes – had jumped to 6 per cent from an historical average of about 2.5 per cent.

Bangladesh recently bought US wheat for the first time since 1999 after Australia’s cereals crop was hit by drought. Japan and South Korea are relying more on South African coal as China, one of their traditional coal sources, has turned into a net importer.

Meanwhile China, which a decade ago bought just 5m tonnes of iron ore from Brazil, is now importing close to 80m. “The main driver of the length in trade routes is the Chinese factor,” said Mr Norfolk.

The backdrop to rising freight costs is strong commodities demand as the world economy continues to expand at a rapid rate, its best performance since the late 1960s.

The shipping fleet is struggling to adapt to the new conditions. Shipyards are focusing on producing high margin vessels, such as carriers of liquified natural gas, rather than taking orders for simple dry bulk vessels, further squeezing capacity

Sometimes Merger Math Just Doesn't Add Up - It can make risk seem to disappear

> For six years private equity firm Thomas H. Lee Partners tapped the credit markets to buy one consumer-products brand after another and roll them all up into United Industries Corp. But even though United's total debt jumped from $375 million to $860 million by 2005, its leverage—one measure of a deal's riskiness—didn't move much.
>
> How could that be? Part of it was the magic of merger math, a naturally occurring phenomenon that has helped drive $1 trillion in buyouts since the boom began in 2004. It's a pretty simple illusion that happens when a company with a lot of leverage buys one with less. That combined debt load is then spread across all the assets of the new corporate entity. So some key measures of leverage often remain the same or even drop, making it appear from one angle as though there were no additional risk. That can be true even if the acquirer pays the seller a premium, which is usually the case.

Bloomberg Outs the Insurance Industry

> In Chapter 13 of Financial Armageddon, I touch upon the issue of insurance and the risks that Americans need to be aware of in the troubled times ahead when choosing providers, deciding on coverage options, and selecting and maintaining policies. Among other things, I note that besieged by financial pressures, insurers are likely to revoke many existing policies following claims. In some cases, cancellations will come even in the absence of misfortune, as entire underwriting lines or geographic regions are eliminated because of losses. Many policies will offer less value for the money. Rising red ink, falling investment returns, and growing counterparty woes will leave numerous insurers at risk of failing themselves. Under the circumstances, they will inevitably boost premiums, scale back coverage, and take a much harder line about honoring the terms of outstanding policies.
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> According to Bloomberg, that future is already here. In the September issue of Bloomberg Markets magazine, there is an eye-opening series of cover-story articles collectively entitled "The Insurance Hoax" that details the extent to which the industry is already working against the interests of its customers. For those who don't have access to the print edition, the reports are also available online.

Home Insurers' Secret Tactics Cheat Fire Victims, Hike Profits

> Tunnell joined thousands of people in the U.S. who already knew a secret about the insurance industry: When there's a disaster, the companies homeowners count on to protect them from financial ruin routinely pay less than what policies promise.
>
> Insurers often pay 30-60 percent of the cost of rebuilding a damaged home -- even when carriers assure homeowners they're fully covered, thousands of complaints with state insurance departments and civil court cases show.
>
> Paying out less to victims of catastrophes has helped produce record profits. In the past

12 years, insurance company net income has soared -- even in the wake of Hurricane Katrina, the worst natural disaster in U.S. history.

Personal Story by a Lawyer from a Previous Asset Bubble (dated 1933)

During the year after the great debacle of 1929 the flood of foreclosure actions did not reach any great peak, but in the years 1931 and 1932 the tidal wave was upon us. Insurance companies and large investors had not as yet realized (and in some instances do not yet realize) that, with the low price of farm commodities and the gradual exhaustion of savings and reserves, the formerly safe and sane investments in farm mortgages could not be worked out, taxes and interest could not be paid, and liquidation could not be made. With an utter disregard of the possibilities of payment or refinancing, the large loan companies plunged ahead to make the Iowa farmer pay his loans in full or turn over the real estate to the mortgage holder.

Men who had sunk every dollar they possessed in the purchase, upkeep, and improvement of their home places were turned out with small amounts of personal property as their only assets. Landowners who regarded farm land as the ultimate in safety, after using their outside resources in vain attempts to hold their lands, saw these assets go under the sheriff's hammer on the courthouse steps.

During the two-year period of 1931-32, in this formerly prosperous Iowa county, twelve and a half per cent of farms went under the hammer, and almost twenty-five per cent of the mortgaged farm real estate was foreclosed. And the conditions in my home county have been substantially duplicated in every one of the ninety-nine counties of Iowa and in those of the surrounding states.

The Debt Endgame: A Theory

The lending policies of the US, the World Bank and the IMF have often put developing nations into the same scenario that the US consumer now finds itself in. What did the US do when debtor nations became overwhelmed in debt?

The short answer is that the above agencies usually found a way to cut a deal allowing a portion or all of the debt of a developing nation to be pardoned. Usually this process involved an exchange in which debt was forgiven for ownership or assets and resources. The US government or US corporations usually became the owners of resources like oil, or cash crops such as bananas or coffee in return for a release from debt. Sometimes the debt was forgiven for military favors such as US bases on their soil, or for ownership or control of state or dominant companies to be handed over to US interests.

As early as five years ago I became convinced that the true economic leaders were looking for a way to take away the assets of the American middle class in a similar fashion. I thought that they would find a way to mire consumers in unrepayable debt and then forgive the debt in exchange for ownership of middle class assets.

I have to admit that even I thought that this was a bit far fetched. But it's sad to say that the last five years have done much to make this a real possibility. The current real estate melt down has exposed millions of American's to the real possibility of going bankrupt from having debt which far exceeds their means of payment.

[Stock Market Meltdown: Dow Jones will be a Dead Duck]

We are now beginning to feel the first tremors from the massive credit expansion which began 6 years ago at the Federal Reserve. The trillions of dollars which were pumped into the global economy via low interest rates and increased money supply have raised the nominal value of equities, but at great cost. Now, stocks will fall sharply and businesses will fail as volatility increases and liquidity dries up. Stagnant wages and a declining dollar have thrust the country into a deflationary cycle which has---up to this point---been concealed by Greenspan's "cheap money" policy. Those days are over. Economic fundamentals are taking hold. The market swings will get deeper and more violent as the Fed's massive credit bubble continues to unwind. Trillions of dollars of market value will vanish overnight. The stock market will go into a long-term swoon.

[Canadians completely unaware of looming North American Union]

In just over a month's time, on August 20, the most powerful president in the world will be arriving in Montebello, Quebec for a two-day conference. President George W. Bush will be meeting with Stephen Harper and their Mexican counterpart, Felipe Calderon. So far, the silence from the Canadian and American media has been deafening.

Talk to 90% of people on the street and they won't know about this upcoming conference, and if by a slim chance they do, they won't know the purpose of the meeting or why the leaders of Canada, United States and Mexico are meeting in the dog days of summer under what amounts to a veil of secrecy.

So, what's this upcoming conference all about, and why are the newspapers, radio and television keeping silent about it?

The purpose of the upcoming conference is to ratify the Security and Prosperity

Partnership of North America, which was initiated by Bush, Martin and Fox in 2005 in Waco, Texas. Essentially, this so-called 'partnership' will result in what the politicians refer to as 'continental integration'-newspeak for a North American Union- and basically a harmonization of 100's of regulations, policies and laws.

In layman's terms, it means that once this 'partnership' has been ratified which is a fait accompli; we will be following in the footsteps of the European Union. It will mean that Canada will become part of the North American Union by 2010, and that our resources, agricultural, health and environment issues, to name a few, will be controlled not by Canada, but by the government of the North American Union.

[Oil: BC's Hydra-headed Headache]

For an industry that likes to keep its business underground, pipeline companies create a hell of mess when they allow it to surface. And the shipping industry, which prefers to stay on the surface, creates a hell of a mess when it tanks.

Oil in pipelines and oil in ships -- when accidents let the oil get out, it's a human and environmental disaster. Industry bigwigs and the governments that regulate them go to great lengths to show that a lot of oil is moved safely and without incident. But for both methods of transportation, disaster is almost inevitable.

Despite a history of spills, B.C. ports are increasingly being considered as the conduit of choice for Alberta crude to reach foreign markets, meaning more spills can be expected.

Both government and industry officials tell us not to focus on the exceptions -- like last week's ruptured Kinder Morgan pipeline in Burnaby -- but B.C.'s complex and insufficient system for preventing and responding to spills is an invitation for more of those exceptions to happen.

[Canadian Natural hit by output drop]

During a conference call yesterday, Mr. Laut said record-high oil prices support the decision to emphasize exploring for crude over natural gas. He said gas prices would need to rise to between $8 and $9 (U.S.) for a million British thermal units from the current price of slightly more than $6 to justify stepping up gas exploration significantly.

[Marathon Oil to buy Alberta reserves for $6.1 billion]

Marathon, Chevron and other oil producers are seeking to acquire reserves in Alberta because access to conventional overseas fields is being reduced. Countries such as Russia and Venezuela are limiting foreign involvement in oil production, and state oil companies from India and China seeking new supplies are outbidding investor-owned producers for fields.

> From a geopolitical standpoint, investing in Canada "carries a lot less risk than Venezuela or a lot of places in the Middle East," said James Halloran, a fund manager at National City Private Client Group in Cleveland who holds Marathon shares.

[Slew of deals shows oil sands fever not breaking]

> The bout of oil sands fever sweeping through northern Alberta shows no sign of slowing down.
>
> An eye-popping $38-billion in deals and development plans announced last week show skyrocketing construction costs haven't dampened interest, only that those intrigued have a blueprint for mining and refining the buried energy treasure.
>
> "The size of the prize is very large, so everybody is going hell bent for leather," said Martin Molyneaux, managing director of institutional research with FirstEnergy Capital.

[Huge Shell drilling programme heralds scramble for the Arctic]

> Shell is preparing its biggest exploration programme in the Arctic Ocean off Alaska for more than a decade, a move that could establish a new frontier for the oil and gas industry.
>
> The Anglo-Dutch energy giant expects to start a controversial three-year programme next month with a small armada of ships drilling a dozen wells in the Beaufort Sea 30 miles off the Alaskan coast.
>
> Industry experts have claimed that it could spark a rush into one of the world's biggest untapped energy reserves. Authorities believe that the Beaufort Sea contains eight billion barrels of oil and nearly 30 trillion cubic feet of gas. Despite fierce opposition from local communities and environmentalists, the US Minerals Management Service gave Shell the green light for the venture in February.
>
> It is understood that Repsol of Spain, Norsk Hydro of Norway and Conoco-Phillips of the US are ready to follow Shell if the drilling proves successful. BP already operates the North Star field on the coastline of Alaska's North Slope but Shell's exploration activity is 20 to 30 miles closer to the Arctic fringe.

[Canada should do more to protect Arctic sovereignty: Layton]

> Climate change is destroying the country's North as we know it and the federal government is not doing enough to protect Canada's Arctic sovereignty, NDP Leader Jack Layton said Sunday....
>
> ...."Canada must move quickly to make immediate, strategic investments in its Arctic and recognize that the greatest challenges in the North are social, economic and

environmental," said Layton.

Ontario: Businesses paid not to use power

When temperatures soared across Ontario this week, businesses like Magna, Royal Group, Canada's Wonderland and Lear Corp. in southern Ontario responded by cutting back on their power use.

It was a responsible thing to do and helped the York Region's hydro service deal with the exceptional demands of near-record temperatures.

But the companies, along with others in a pool managed by Rodan Energy, got more than the satisfaction of doing their part for the community good. They got paid for not using electricity.

Rodan's payment structure "is confidential," said Caroline Lofthouse, a spokeswoman. But the concept of paying companies for what they don't use is about to become a lot more widespread.

The York Region program was one of two pilots for a provincewide "demand response" program that the Ontario Power Authority hopes to introduce by the end of this month.

AECL mulls N.B. nuclear plant

Saint John could become the setting for a new dawn in the North American nuclear power industry, as federally owned Atomic Energy of Canada Ltd. is set to investigate building a new plant there.

According to sources close to the situation, New Brunswick authorities have struck a deal with AECL for the company to carry out a $2-million to $3-million feasibility study of the possible construction of an Advanced Candu Reactor (ACR)-1000 nuclear plant, the 1,200 Megawatts Candu-based design that it has not yet sold, in Saint John

Residents want say in nuclear proposal

People living northwest of Edmonton deserve a bigger say on a proposal to build a nuclear power plant in their community, says a resident who organized a public meeting on the issue.

More than 100 people showed up at the Wednesday night meeting to talk about a proposal to build a $6.2-billion reactor in north-central Alberta.

Bernard Kruhn, a Fort Assiniboine resident who organized the meeting, said he's not for or against the project, but is concerned residents aren't getting enough information.

AECL Signs Agreement with Argentina to Enter into Negotiations for New CANDU Unit

> Atomic Energy of Canada Limited (AECL) is
> pleased to announce that it has signed a Memorandum of Understanding (MOU) with Nucleoeléctrica Argentina S.A. (NASA) to enter into commercial negotiations to define the contracts and project delivery model for a new 740-megawatt CANDU 6(TM) power plant.

Ukraine forgets about Chernobyl

> Politicians in Kiev are busy looking for an alternative to Russia as a builder of nuclear power plants. At any rate, Ukrainian Foreign Minister Arseny Yatsenyuk hastened to announce after a meeting last week with his Canadian counterpart, Peter Gordon MacKay, that Ukraine was resuming talks with Canadian companies on the construction of CANDU (Canada Deuterium Uranium) nuclear reactors in Ukraine. One of the main aims, he said, was to ensure Ukraine's "uranium independence." Ukraine has its own uranium rawmaterials, but it is forced to enrich them abroad. CANDU reactors use natural uranium.
>
> The politicians, however, are not telling the whole story: the uranium problem is not quite so straightforward. What is surprising, though, is that the CANDU reactor, developed at the dawn of the nuclear energy era, is a "cousin" of the Chernobyl RBMK reactor that exploded 20 years ago. One would think Ukraine would have developed a distaste for anything associated with that past tragedy.
>
> Scientists did not hesitate to describe the construction of nuclear plants with obsolete heavy-water CANDU units as "unwise." Speaking at a news conference in Kiev, Andrei Derkach, the general director of Ukraine's nuclear energy agency, said "experimenting with the choice of a unit is costly and unnecessary" and argued that "no one in Europe is willing to use CANDU technology.

Canadian Hydro wins OMB approval

> Canadian Hydro Developers Inc. has jumped over two hurdles that stood in the way of the construction of two of Canada's biggest wind power projects.
>
> The Calgary-based company has received key approvals from the Ontario Municipal Board that should help it move ahead with an 86-turbine project on Wolfe Island near Kingston and another 88-turbine wind farm in the Township of Melancthon, northwest of Toronto.
>
> During the OMB hearing concerning the Wolfe Island project, Canadian Hydro negotiated a settlement with local residents who said the project was too close to homes and bird habitats. The company agreed to a number of changes and will locate the turbines further away from wetlands and buildings.

One key compromise, said Kingston lawyer Peggy Smith, who represented some of the residents, was to establish a formal dispute resolution mechanism to deal with future conflicts.

[Push for ethanol has ripple effect across economy]

Prices on these items and others are rising, all in the quest to produce more ethanol, the corn-based product touted as a way to reduce dependence on foreign oil and lessen the impact of global warming.

America has embraced the promise of the renewable fuel, pouring billions of tax dollars into its development.

But as Congress prepares to spend billions more for ethanol use and production, people are starting to see higher costs for a wide range of consumer goods.

"People will first see it at the gas pump," said Michael R. Ward, an associate professor of economics at the University of Texas at Arlington. "Then there will be a secondary hit, with the prices on commodities going up.

"Ethanol will impact a lot. It's a ripple effect."

[Oilsands emissions double in 15 years]

Greenhouse gases from oilsands production have doubled in just 15 years, driven by soaring United States demand for oil, reveals the latest inventory of the emissions in Canada.

The jump in oilsands-related greenhouse gas emissions, mainly from Alberta projects, helped Canada's overall output climb by 25 per cent, according to the Environment Canada report.

The latest numbers, for 2005, show that oilsands mining, extraction and upgrading produced 34 megatonnes of carbon dioxide and other greenhouse gases associated with global warming. That's double the 17 megatonnes emitted from the oilsands in 1990.

[Seas could rise much more than we thought]

Rises in sea levels caused by climate change are likely to be bigger than predicted and more dangerous, but scientists are reluctant to "stick their necks out" on the issue for fear of being labelled alarmist, a leading international expert is warning.

Stefan Rahmstorf, a lead scientific author of the recent United Nations report on climate change, has just published a new way of projecting sea-level rises caused by global warming. His method suggests much higher rises than those published by the UN panel this year, adding to concerns that the panel was too conservative in its last report.

[Melting glaciers unearth new challenges]

> Alaska's great glaciers are melting away. Some of the smaller ones have completely disappeared in the past few decades, and while many of the bigger ones will be around for a while yet, their yearly retreat is stunning nonetheless.
>
> Alaska has warmed more quickly than any other place on the planet in the past 50 to 75 years, climate-change experts say. It holds a negligible lead over Yukon, which faces many of the same global-warming-induced challenges....
>
> ....According to a recent University of Alaska study, climate change could add as much as $6-billion to what is now expected to be the $40-billion cost of building and maintaining public infrastructure in Alaska between now and 2030.
>
> Alaska's roads, buildings, railroads and airports are all going to cost more to replace in part because the foundation upon which they are built is turning into sludge. That once permanently frozen subsoil - permafrost - is thawing.
>
> "This is a huge issue for the state," said Peter Larsen, co-author of the report by the Institute of Social and Economic Research. "Canadians should be interested in this issue as well because a place like the Yukon faces the same challenges.

[Europe's recent heatwaves aren't a mirage]

> The heatwave that has already killed hundreds across Eastern Europe is no aberration. Since 1880, the frequency of extremely hot days has nearly tripled and the length of heatwaves across the continent has doubled.
>
> Previous studies have shown that climate change is likely to make heatwaves more common across Europe. In April for example, the UN Intergovernmental Panel on Climate Change published a report linking a range of changes seen in Earth's weather and ecosystems to global warming (see Climate change is here now, says major report). The latest study suggests that these effects are already being felt.
>
> Paul Della-Marta of the University of Bern in Switzerland and his colleagues studied data collected between 1880 and 2005 by 54 temperature stations across Western Europe.
>
> Extremely hot days are also three times as common now as they were 127 years ago, the researchers found. This greater frequency of very hot days is also what is driving the longer heatwaves, says Della-Marta.

[South Asia flood death toll at 1,400]

Flooding triggered by monsoon rains has killed some 1,400 people and marooned around 25 million in India, Bangladesh and Nepal in what some officials Saturday called the worst inundation in years.

The number of dead crossed 1,100 by late Friday in India alone, the United Nations child welfare agency said in a statement....

....Bangladesh said the situation this year appeared to be worse than the 2004 floods that inundated 38 percent of the country's land.

"In the last 15 days, all major rivers rose above danger levels and their water has already inundated some 40 per cent of the country's total land area," said Saiful Hossain of Bangladesh's Flood Forecasting and Warning Centre.

A river ran through it - Australia's 1000 year drought

Professor Tim Flannery, an Australian environmental scientist and an international leader on climate change, has no doubts. 'Australia is a harbinger of what is going to happen in other places in the world,' he says. 'This can happen anywhere. China may be next, or parts of western USA. There will be emerging water crises all over the world.' In Kenya, the herdsmen of the Mandera region have been dubbed the 'climate canaries' - the people most likely to be wiped out first by global warming. In Australia, the earth's driest inhabited continent, it is the farmers who are on the frontline.

This extended dry spell began in 1998. Four years later came the one-in-100-years drought. Last year was declared a once-in-a-millennium event. Every city, bar Darwin in the 'top end', is facing water restrictions. Rivers are reduced to a trickle a child can jump across. Old Adaminaby, a town drowned by a reservoir 50 years ago, has resurfaced from its watery grave. Distressed koalas have been drinking from swimming pools. The list goes on.

The extent of the crisis was illustrated in January, when the Prime Minister, John Howard, announced a A$10bn (£4.3bn) package to seize control of the Murray-Darling basin, the nation's food bowl, accounting for 41 per cent of Australia's agriculture and A$22bn worth of agricultural exports. The region covers an area the size of France and Spain combined and is home to almost 3m people; its famed waterway, the River Murray, no longer holds sufficient water to flow out into the sea. Despite Howard's massive rescue plan to overhaul the water system, six months later the irrigation taps to the region's farmers were turned off.

Tree planting 'does little to offset emissions'

Tree planting schemes popularly used to offset carbon emissions do little to combat climate change, a think-tank says.

A paper by The Australia Institute released today accuses governments and businesses of exploiting such "fads" to avoid the need for real cuts in greenhouse gas emissions.

"By diverting people's funds and attention to projects that are unlikely to reduce

> emissions significantly in the long term, some offset schemes could ultimately do more harm than good," report author Christian Downie said.
>
> "Tree planting is the most popular type of carbon offset promoted in Australia but it is, in fact, the least effective for dealing with climate change.
>
> "The evidence indicates that offsets from renewable energy are the most effective, followed by those from energy efficiency projects, with forestry projects ranked last."

[The Rising Cost of Farming]

> I learned how to drive as a kid by sitting on a tractor with my grandpa as we circled his friend's dairy farm, hearing stories about how tough that business was. That farm is long gone, closed for business years ago along with plenty of others. They wouldn't believe their eyes today. I spoke to my buddy this week, a grains broker, who explained that dairy farmers are being paid about $21 per hundred pounds of milk. This time last year they were fetching around $11. The gradually shrinking supply here pales in comparison to the historic drought taking place in Australia, one of the world's largest dairy sources.
>
> Supplies drying up would have been enough to see milk and cattle prices rise, but then their own pails of feed started climbing – all at the same time that global demand was relentlessly growing.

[US to hold world talks on climate change]

> Under pressure for tougher action against climate change, Mr Bush invited the European Union, the United Nations, Australia and 10 other industrial and developing countries to the September 27-28 meeting in Washington to work toward setting a long-term goal by 2008 to cut emissions....
>
> ....Some environmentalists voiced scepticism about the conference, seeing it as a bid to deflect attention from UN efforts and evade international calls for strict US limits on emissions.

[Broken Bridges, Lost Levees and a Brutal Culture of Neglect]

> Natural disasters do occur. Storms, heat, aging steel and concrete can all contribute to horrific turns of events like the Minneapolis bridge collapse, the pipe explosion in New York, or the nightmare that occurred in the aftermath of Hurricane Katrina hitting the Gulf Coast.
>
> But there is simply no question that the steady neglect of the crying need for repair and improvement of bridges, levees and other vital pieces of the nation's infrastructure, and the resolute stinginess of a federal government that is much better at finding money to repair the Middle East than the middle west, makes disasters more likely to occur and

> more extreme in their consequences.

[More Than 70,000 Bridges Rated Deficient]

> More than 70,000 bridges across the country are rated structurally deficient like the span that collapsed in Minneapolis, and engineers estimate repairing them all would take at least a generation and cost more than $188 billion.
> That works out to at least $9.4 billion a year over 20 years, according to the American Society of Civil Engineers....
>
> ...."Unfortunately when you consistently underinvest in roads and bridges ... this is the dangerous consequence," Cohen said of Wednesday's deadly Mississippi River bridge collapse in Minneapolis. He said engineers have estimated $75 billion a year is needed just to keep highways and bridges from further deterioration, but that only around $60 billion a year is being provided.
>
> At least 73,533 of 607,363 bridges in the nation, or about 12 percent, were classified as "structurally deficient," including some built as recently as the early 1990s, according to 2006 statistics from the Federal Highway Administration.

[The downside of diversity: US loss of social capital]

> The study is part of a fascinating new portrait of diversity emerging from recent scholarship. Diversity, it shows, makes us uncomfortable -- but discomfort, it turns out, isn't always a bad thing. Unease with differences helps explain why teams of engineers from different cultures may be ideally suited to solve a vexing problem. Culture clashes can produce a dynamic give-and-take, generating a solution that may have eluded a group of people with more similar backgrounds and approaches. At the same time, though, Putnam's work adds to a growing body of research indicating that more diverse populations seem to extend themselves less on behalf of collective needs and goals.
>
> His findings on the downsides of diversity have also posed a challenge for Putnam, a liberal academic whose own values put him squarely in the pro-diversity camp. Suddenly finding himself the bearer of bad news, Putnam has struggled with how to present his work.

[Five Ways Bush's Era of Repression Has Stolen Your Liberties Since 9/11]

> Breathtaking in its audaciousness, the administration has implemented, of ten by fiat, an amazing array of repressive policies that still stand. These policies deprive us of some of our most precious freedoms and threaten the very character of our democratic system. This repression has not been indiscriminate. For the most part white, non-Muslim U.S. citizens have not felt the full brunt of it. But for many Muslim and Arab and South Asian immigrants in America, citizen or not, America became inhospitable overnight. Their quality of life, their sense of security, has never been the same.

Congress approves six-month blanket wiretap warrant

AP reports that Congress voted 227 to 183 on Saturday to approve a new bill modifying the provisions of the Foreign Intelligence Surveillance Act (FISA).

Under FISA, whenever US spooks want to intercept communications within America, they typically need to obtain a warrant from a special secret court.

In the wake of 9/11, President Bush sidelined the FISA court and authorised the National Security Agency (NSA) to tap electronic communications within the US in bulk. This effort has been presented as targeted primarily at people overseas whose calls, emails, or whatever were routed via the States; however it appears that in many cases at least one end of the link was within the USA.

After wiretapping victory, Bush says he wants more authority from Congress

The day after President George W. Bush marshaled political forces in Congress to grant him greater authority to engage in counterterrorism-related spying, the president stated that he would seek greater changes to the Foreign Intelligence Surveillance Act when the legislative branch returns to work in September....

....Meanwhile, pundits were already building the case for expanding liability protections for telecommunications companies that help the government spy.

"The new legislation does not go far enough because, while it addresses liability for telecommunications companies under FISA, it does not look at companies' liabilities under other laws," wrote Harold Furchtgott-Roth, a former Federal Communications Commission commisioner, in a Monday article in the New York Sun. "This is an important point because the American Civil Liberties Union and other groups have many legal cases against various communications companies for cooperating with the federal government on many matters outside FISA."

Bush Signs Law Widening Reach for Wiretapping

President Bush signed into law on Sunday legislation that broadly expanded the government’s authority to eavesdrop on the international telephone calls and e-mail messages of American citizens without warrants.

Congressional aides and others familiar with the details of the law said that its impact went far beyond the small fixes that administration officials had said were needed to gather information about foreign terrorists. They said seemingly subtle changes in legislative language would sharply alter the legal limits on the government’s ability to monitor millions of phone calls and e-mail messages going in and out of the United States.

> They also said that the new law for the first time provided a legal framework for much of the surveillance without warrants that was being conducted in secret by the National Security Agency and outside the Foreign Intelligence Surveillance Act, the 1978 law that is supposed to regulate the way the government can listen to the private communications of American citizens.

That executive order

> This is dangerous. This has the effect of eliminating any element of intention or *mens rea* from this executive order.
>
> Mens rea, or criminal intention is a vital part of the criminal law. It essentially deals with the issue of choice and decision. For many crimes, to be guilty, you have to actually have intended to commit that crime. You had to have known the law, known that your actions were against that law, and then gone ahead. Volition, while diminished, is still a key element of civil law.
>
> Not necessary here.
>
> It is no longer necessary for you to want to hassle the Iraqi government or undermine efforts. It is not necessary for you to even know that your efforts have this result. It is not necessary for you to be aware of any line that you must not cross. In fact, your state of mind, your intentions, your beliefs, your own interpretations of your actions are utterly unnecessary.
>
> It is only necessary that someone decide that such is the result of your efforts. And who makes that decision? Secretary of the treasury.

Transatlantic travellers on 48-hours notice

> Western European business travellers will be forced to give 48 hours' notice of their plans to visit the US under legislation signed on Friday by President George W. Bush.
>
> The bill, aimed at bolstering security against terrorism, also requires the screening of all air and sea freight at foreign ports before being allowed into the US.

UK: Skating towards a police state...

> We don't lock up shoplifters for life on the grounds that they might one day rob a bank. Nor should we be taking DNA swabs from those guilty of piffling offences, just in case. And while convictions for relatively minor offences are wiped clean under the Rehabilitation of Offenders Act, your DNA sample is for ever.
>
> This is an attempt to establish a comprehensive national biometric database by stealth, because they know we would never agree to it voluntarily, just as the new passport

> regime is a way of bringing in ID cards by the back door.
>
> How many politicians would be prepared to stand for election on a commitment: "Vote for me and if you forget to fasten your seat belt you will be forced to hand over a DNA sample"? It's monstrous, but it's par for the course these days.

We remember the 62nd anniversary of the dropping of Little Boy on Hiroshima on August 6th, 1945

> We knew the world would not be the same. A few people laughed, a few people cried, most people were silent. I remembered the line from the Hindu scripture, the Bhagavad-Gita. Vishnu is trying to persuade the Prince that he should do his duty and to impress him takes on his multi-armed form and says, **"Now, I am become Death, the destroyer of worlds."** I suppose we all thought that one way or another.
>
> -J. Robert Oppenheimer