

## MOSTLY UNREPORTED PROBLEMS

### WEB BUZZ 2010.02.08

The banking industry continues to be under economic pressure as housing remains in the doldrums and commercial real estate problems accelerate. After they were bailed out, the big banks went back to speculative proprietary trading and have blown additional mini bubbles in the stock and commodity markets. To add insult to injury, there is little demand for loans as households are paying off debt and business is unsure of what the rules of the game out of Washington are going to be. The simple fact is that we have an FDR-like administration following a Keynesian model that will not spark a sustainable economic recovery over the long term.

But let's take a cursive look at state and local government problems, which have not received much attention as of yet. Note the following storylines:

1. School crisis in Nevada: Governor seeks to cancel collective bargaining with schools because state is broke.
2. Police pay dispute in Miami.
3. Workers protest in New Mexico.
4. Budget crisis in Los Angeles.
5. Financial advisors are cutting back exposure to California tax-exempt bonds.
6. Massive layoffs coming in NYC, Nevada, California, Colorado, Arizona, and everywhere.

The above are just a few examples we have seen out of a much broader set. Last year, many of the state and local entities were helped by the stimulus package. This was supposed to give them time to reallocate their resources, but, alas, little or nothing was done. This will be the year (most states are on a fiscal year rather than calendar) things come to a head. We are not sure how Wall Street and Washington will be able to spin this. The story this paints just may be that the recession is over, but the depression continues.