

IN THE NEWS

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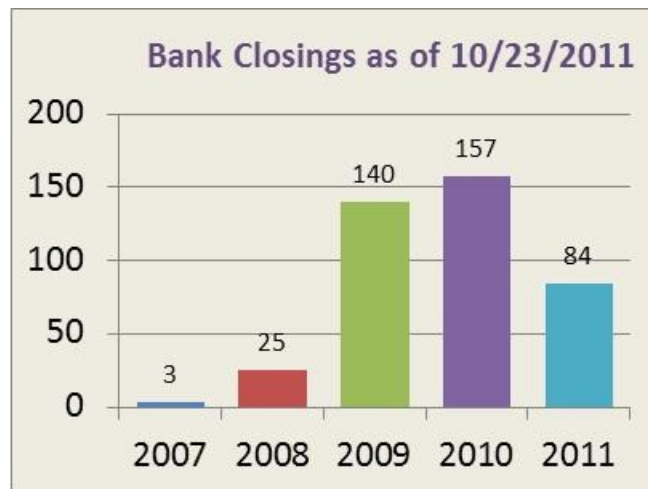
The Economy

The number of first time unemployment claims for the week ending October 8 was 404,000; and the headline touted good news that the number of claims fell by 1,000 [1]. This all sounds good until looking at the original number announced was only 401,000 [2]. Thus, the number actually increased by 3,000 claims and yet this was advertised as a drop of 1,000. This a consistent pattern where bad news is made to look good. For example, the number of first time unemployment claims for the previous week (October 8) was raised to 409,000 and the initial number for the week ending October 15 was 403,000 [3].

Meanwhile, on October 14, four financial institutions were shuttered: 77) Piedmont Community Bank in Georgia; 78) Blue Ridge Savings Bank in North Carolina; 79) First State Bank in New Jersey; 80); and Country Bank in Illinois [4]. Then on October 21, four more were closed: 81) Old Harbor Bank in Florida; 82) Decatur First Bank in Georgia; 83) Community Capital Bank in Georgia; and 84) Community Banks of Colorado [5].

One of the problems with downplaying the health of the economy; the economic plight continues, more people easily become angry and if they are unemployed, have more free time on their hands to protest. Consider one of the impacts of the Dodd-Frank law was close debit card revenue sources and thereby force banks to get the income from another source; in this case the consumer [6]. For example, the Bank of America started charging \$5 per month for users of debit cards [7]. This in turn led to protests against Wall Street. For example, what started as a small

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Security

It seems hackers have again busy breaking into Sony online services [1]. So far, Sony suspended 93,000 online accounts after discovering they were hacked [2].

Once again, we have to question how good the security is regarding the use of supervisory control and data acquisition (SCADA) for protecting trains. Case

in point, in California, a train hit another that was stopped to unload passengers; 16 passengers were slightly injured [3].

We now learned that last year's NASDAQ security breach included malicious software allowing the hackers more spying capabilities than was previously suspected [4]. Elsewhere, there is a new Stuxnet-like virus that

uses the same encryption scheme as the SCADA attacking variant; this suggests a new round of cyber war [5]

1. Tabuchi, Hiroko, New York Times, *Sony Freezes Gaming Accounts After Hacking Attack*, October 12, 2011.
2. Yasu, Mariko, Bloom-

(Continued on page 2)

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Special points of interest:

- China pledges to keep the yuan value low to help exporters
- New record Chinese trade deficit of \$29 billion for August
- China's GDP up 9.1% for the third quarter
- 84th bank shuttered

Security

(Continued from page 1)

berg, *Sony Halts 93,000 Online Accounts After Unauthorized Access*, October 12, 2011.

3. CBS News/AP, *Amtrak trains collide, injuring 16*, October 13, 2011.
4. Finkle, Jim, Reuters, *Nasdaq hackers spied on company boards*, October

20, 2011.

5. Chapman, Glenn, AFP, *Stuxnet-like virus points to new round of cyber war*, October 20, 2011.

The Economy

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protest on September 17 has grown to thousands and spread around the world [8]. However, in Italy the anti-capitalism protests turned violent [9]. With the global scope of the protests and the tone turning violent, we will be watching to see what party or organization takes over the movement. As we should learn from history, such as the French revolution of 1789, sometime these movements turn out bad.

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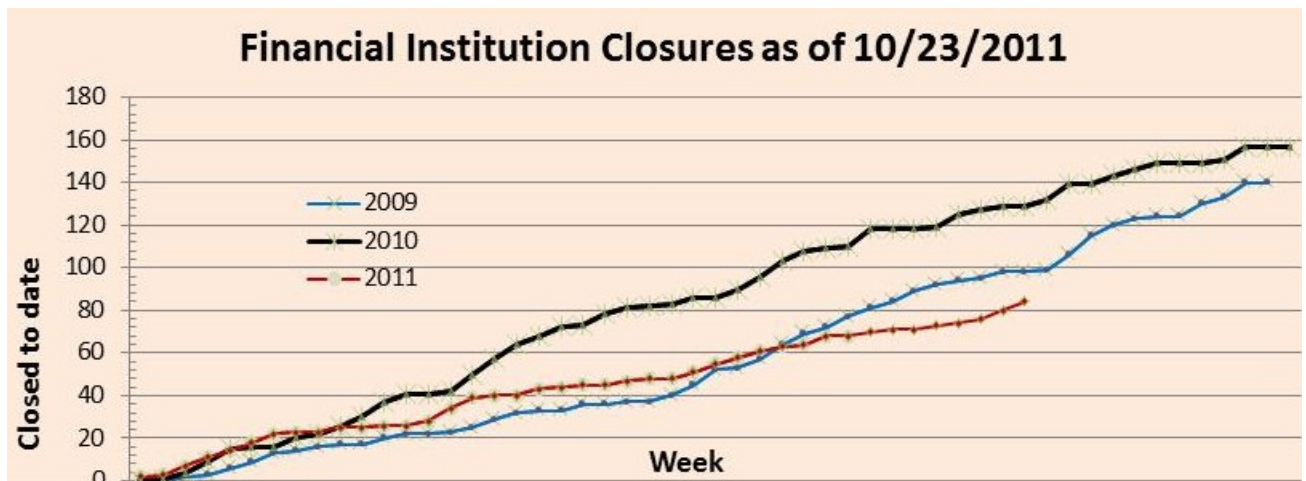
404,000, October 13, 2011.

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Men cannot not live by
exchanging articles, but
producing them. They live
by work not trade—John
Ruskin



Trade China Style

In the past, we have highlighted the unfair trade policies used by China to keep their industry going at the expense of ours. However, if a U.S. industry is successful in China, the problems continue. Case in point, since entering the city of Chongqing in 2006, Wal-Mart has been punished 21 times; the latest charge alleges miss-labeled pork and the company was ordered to close for 15-days [1]. What's more, several Wal-Mart employees were detained as part of the probe [2]. These tactics seem to serve no other purpose but to deter U.S. business in China. Case in point, when the cause of death for a number of Chinese babies was determined to be chemically spiked fake milk, China investigated for a long time and then ordered the products removed from the shelf [3]. So what did the Chinese do to correct the tainted products? Using the same chemical, they exported tainted goods that killed a number of people in Panama [4]. Later, the same chemical was found exported in milk and dairy products [5]. So if it's an American company, an allegation is enough to shut down a company for 15 days; however if its toxic poison sold by a domestic company, years of investigation before taking any action are considered okay.

Contrast the Wal-Mart news with how Chinese products are allowed into the U.S. For example, only 2% of food imported into the US is inspected [6].

In the U.S., the Senate was expected to pass a currency

manipulation bill [7]. As expected the final vote came in and it was approved 63 to 35 [8].

Meanwhile, the overall August U.S. trade deficit was \$45.6 billion; with the China component setting a record \$29 billion [9]. Meanwhile, China's overall trade surplus fell to \$14.5 billion in September [10]. However, the Treasury Department is holding off on deciding if it should declare China a currency manipulator [11]. In contrast to the U.S. approach; China Premier Wen Jiabao has promised to keep the Yuan (China's currency) low to protect exporters [12]. Moreover, the China's policies are helping it weather the financial crisis much of the world is experiencing. For instance, China's third quarter Gross Domestic Product grew 9.1% [13].

Whenever, the U.S. considers applying tariffs, China's government complains. Case in point, the U.S. solar power industry is calling for tariffs on Chinese solar panels and China is calling the action protectionism [14]. In summary, China is bleeding the U.S. economy dry while the rest of the world is holding the communist giant in check.

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A weak currency is the sign of a weak economy, and a weak economy leads to a weak nation – Ross Perot

It seems the U.S. is not the only country bowing to China's demands. South Africa, fearing China's anger, refused to allow the Dalai Lama a visa to attend Desmond Tutu's birthday [1]. Meanwhile, at least some in Congress are worried over China's underground nuclear weapons tunnel complex that could be over 3,000 miles in length [2]. Unfortunately, the U.S. and Russia nuclear weapons reduction treaty did not include China [3]. China was a nuclear weapons power in the 60's [4]. So China has had over 45 years to build up their nuclear arsenal, has massive underground nuclear complexes and yet not invited to the nuclear weapons reduction treaty talks. We do not know how large China's nuclear weapons program is because most of it is hidden. However, as a consequence of the treaty with Russia, they know how large our program is and they have no incentive not to surpass the rest of the world as the dominate nuclear power. Elsewhere, China continues issuing military threats to other nations seeking economic expansion in the South China Sea. For instance, a major Chinese communist party affiliated newspaper warned India against a recently signed oil exploration deal

with Vietnam [5]. This comes at a time when China is expanding military reach to cover the entire South China Sea [6].

Since Mubarak fell from power in Egypt, things have deteriorated for the Coptic Christians there. For example, in March a church was burnt followed by 13 killed; then another 15 were killed in May [7]. In October, following a peaceful protest, 24 were killed and hundreds wounded when police and military opened fire [8]. What's more, many of the weapons missing from Libya are being smuggled into Egypt [9]. Meanwhile in Syria, 24 protesters were killed following the announcement that Libya's Col Gaddafi was killed [10].

Unfair trade agreements seem to be the favored treaties the U.S. seeks. Case in point, the new treaty with Korea is expected to resulting \$194 million more automotive exports while allowing in \$907 million [11]. Clearly, South Korea does not engage in fair trade. For instance, for every 52 cars imported from Korea, only one is exported [12].

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When you first start off trying to solve a problem, the first solutions you come up with are very complex, and most people stop there. But if you keep going, and live with the problem and peel more layers of the onion off, you can often times arrive at some very elegant and simple solutions. Most people just don't put in the time or energy to get there.—Steve Jobs
