

How Do You Spell Credit Crisis?

The *American Heritage Dictionary* defines “Charlatan” as “a person who makes elaborate fraudulent and often voluble claims to skill or knowledge...”

It has been reported recently, that unlike many customer claims that are treated less benignly, Merrill Lynch recently decided to give the city of Springfield, Massachusetts all their money back. As reflected in the Massachusetts Secretary of State’s website, Merrill underestimated the “lack of liquidity” related to the auction market securities it sold to the city of Springfield.

The state’s complaint indicates that the size of the “auction market products” market that resets every day, week, or month, at almost \$300 billion. However, difficulties in the credit and auction markets as a result of structured products with “embedded credit default swaps” leads one to wonder whether Merrill should be able to unload these “products” by taking them to the friendly neighborhood “credit default swap” shop and get the best price they can. Maybe they can even sell them on Ebay!

But as it turns out, there is no neighborhood credit default swap store!



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It turns out that Merrill Lynch sold the city of Springfield a product that its salesmen knew was improper. From Merrill’s e-mails that are included in the Massachusetts website, it is apparent that Merrill’s salespeople also sold these auction market products to other cities and towns which should not have been eligible purchasers for these investments.

How do we get those buyers back to buying these auction credit products? Must we now redefine the word “charlatan?”

Listen to Howard Rosenfield with Anita Finley on Saturday, March 8 from 8:30-9:00 PM on WWNN 1470AM and on the Internet at www.wwnnradio.com.

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