you'd played to keep Rockin' Ronnie Carl from going to Milwaukee. I cannot forget the things I did, 1390 listeners. How do you forget music that haunts you?

"I won't pretend to be what I'm not. You know me too well. Let me quote this one Bible verse, however, for I am generally not a holy man. In Numbers, when Aaron and Miriam grow jealous of Moses, he intercedes with the Lord to cure her of her 'white leprosy,' a mild punishment. The Lord says to him, 'Suppose her father had spit in her face, would she not hide in shame for seven days?' Maria, too, had been shamed. My parents had been shamed by what happened. The greatest shame was mine, I've seen over the years. They were innocent. I wasn't. I'd hated her for a time.

"Maria returned to East High, but it was hell there for her. Kids laughed and talked about her. My parents didn't know how to give back the quarters and dimes people had contributed for the trip. The bank had given ten dollars; Art Haugen at the drugstore, ten; St. Francis Church, fifteen.

"My mother kept us going by figuring a way out of the embarrassment of owing anyone anything. She worked hard around the neighborhood, baked for people, did favors for them. Dad stopped drinking. Maria got through the school year, but quit practicing the piano. Why should she have hidden in shame when she'd done nothing wrong? I was the one who should have been punished for what, like Aaron and Miriam, I'd done behind my sister's back by ridiculing her.

"In time, Maria graduated, left home to work. I went in the service, kicked about for a year or two afterward, but I could never get the East End neighborhood out of my mind. When I returned home from my travels, I thought about selling insurance with my cousin, the American Family agent. But how could I insure others when I never insured myself? Where do you buy a policy against regret?

"With Maria out west, I grow lonely in the house where we grew up. Outside on the street, I hear car speakers pounding rap music, hip-hop. Things were better back then—no school shootings, no ear-splitting music. Here in the 1390 studio tonight, I think of the uninsured of long ago. Antennas beam signals to the sky, always outward, always away. Tonight, I have you with me to hear these transmissions from the heart. We go inward tonight, deep into the place where we try to make amends.

"At 3:26, let me tell you the signals of people from back then—Gerry 'Catman' Walker of 1¢ sale fame, my parents, my aunts and uncles—come in clearly everyday. Maria's signal, I never hear, though. Never. Before taking the trip so many years ago that changed her life, I wonder if she heard my request. I wonder if she is listening tonight. This next song is for you, Beloved Sister, so far away. And it's for you, *Moulin Rouge* lady. And for the rest of you 1390 listeners. Jo Stafford's 'Blue Moon.' I'll be quiet now and listen."

Jean Sibelius Bags a Soviet Plane, 1948

by Larry Johnson

The maestro's yard, near mossed, penumbral pines,
Echoes the bluesteel hunting rifle's crack:
The fighter circles, wings off—was it a Yak
9 or Mig 3? No matter. Another shines
In cloudsifted sun, dropping lower. He fires again,
Leading the target this time with a vow
To sacrifice his frozen *Eighth* if now
He pierces the smirking aircraft, causes pain
For one damned Russian cog . . . so slivery smoke
Trails from the engine. A wobble. The pilot turns
East, igniting oil billows out. *Fate's joke*,
He thinks, watching the smeared speck as it burns,
Roils brumy below horizon, its soundless crash
Too soon avenged by his music's snowclean ash.

Anatomy of a Meltdown

The Subprime Crisis

by David A. Hartman

At the close of 2007, the bloated inventories and declining prices of residential housing confirmed that the real-estate bubble had burst. This was triggered by losses on collateralized mortgage obligations (CMOs), which are based on pools of "subprime" mortgage collateral. Residential prices have not yet fallen below the levels of 2001 (when the bubble began) and, for the moment, remain above recession-level prices. The meltdown, however, is on.

Over the last several years, our soaring trade deficits have filled our foreign competitors' coffers, causing them to seek investments that are more attractive than U.S. Treasury bills. Because the large commercial investment properties they prefer have been priced very high, U.S. financiers began selling them the derivatives of residential mortgages pools. The adjustable-rate mortgage (ARM) pools offer investors the largest source of inflation-adjustable securities, along with the protection of insurance against default and the prospect of higher average interest rates over the life of the securities.

Ever since the Great Depression, Congress has created federal agencies that accept or insure mortgages. Government-sponsored agencies multiplied after World War II, as insurance providers for the home mortgages of returning veterans. Savings and loans, also sponsored by Washington, were the principal investors in these insured home mortgages until the 1980's, when Congress deregulated deposit interest rates and the S&L's crumbled.

Today, eight different federal agencies accept or insure mortgages for lower- or middle-priced houses, led by Fannie Mae and Freddie Mac. Each is a "government-sponsored agency": The agency alone, not the federal government, offers the guarantee, but each is considered a federal guarantor and, therefore, "too big to fail." The Federal Home Administration (FHA) and the farm-home agencies who insure mortgages for lower-income homes are government agencies, and their insurance policies are claims on the federal government. These are joined by private insurers, such as MBIA, Ambac, and ACA, who insure "unqualified" mortgages. Banks also offer direct uninsured mortgages for lower-risk loans, good customers, and "jumbos"—mortgages that exceed federal size limits. In recent years, federal regulators have sought to reduce Fannie Mae's and Freddie Mac's domination of buying, insuring, and (especially) holding home mortgages.

Mortgage bankers originate the mortgages sold to insurers. The insurers then sell pools of mortgages, grouped together by characteristics such as geographical location, size, and credit rating, to investment bankers. The bankers divide the cash flows of these CMOs into "tranches," which provide the right to first or last collections of cash flows, to separation of interest *versus* principal payments, or to other derivatives designed to serve as investment products. These tranches are then rated by agencies such as Standard & Poor's or Moody's. Compared with normal debt securities, some mortgage derivatives are difficult to rate, because of the complexities of economic events and their effects on repayment. Still, the more conservative mortgage pools have been a reliable source of customized securities.

Three factors have destabilized the successful replacement of S&L's with CMOs, precipitating the meltdown. First, for adventurous investors, CDOs (collateralized debt obligations) became attractive. They provide potentially more profitable alternatives to CMOs, from pools of quality CMOs to credit cards, automobile loans, commercial loans, and other debt obligations of various credit quality—some, with potentially higher interest rates. Until recently, CDOs had been reasonably predictable and successful in collecting debts, thanks to good times and good underwriting—both of which have changed. Second has been the introduction of subprime home mortgages, which have proved hard to rate accurately, as they lack both long-term default experience and, increasingly, diligent underwriting. Both the Clinton administration and the Bush administration have pressured lenders to offer subprime ARMs to borrowers with lower incomes and/or poor credit histories. The risk of subprime pools was amplified by incompetent or fraudulent underwriting by mortgage bankers. Finally, the commercial and investment bankers funded the subprime mortgages through "structured investment vehicles" (SIVs), which are clandestine off-balance-sheet units with no appreciable reserves to stand behind the pools and their tranches—a carbon copy of the source of the Enron fiasco. What investors—foreigners awash in dollars, in particular—failed to realize is that garbage in a fancy bag is still garbage.

The total book value of mortgages on U.S. residences is $14 trillion, of which $2.5 trillion is currently "guesstimated" to be subprime. The potential losses to financial

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