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CONTENTS

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COMER Appeal of Federal Court Decision

By Rocco Galati, BA, LLB, LLM

On August 9, 2013, Prothonotary Aalto (a Justice of the Federal Court), struck COMER's claim against the Bank of Canada and Minister of Finance.

On August 16, 2013, COMER issued a Notice of Appeal. The Appeal is scheduled to be argued, for a full day, on Tuesday, December 10, 2013, at 9:00 am, at 180 Queen Street West, Toronto.

In its decision, in a nutshell, the Federal Court decided as follows:

1. That the Plaintiffs have standing to bring the claim.

2. That the Court has jurisdiction to hear the case.

3. That Declaratory Relief is obtainable in such cases.

The Court however struck the claim because it was not "justiciable." Justiciability is a doctrine that, in short is normally and properly invoked where the Court essentially does not have the expertise, or is incapable, at the end of the day, to come to a judicial determination of the issue because it is beyond the scope of what a Court does.

In this case, invoking the doctrine of justiciability lacks logic, is devoid of cogency, and is reverse circular reasoning. It is one of the most embarrassing decisions I have seen in a long time. It is contrary to the avalanche of jurisprudence.

On a motion to strike, the Court is not allowed, according to the Supreme Court of Canada, to come to any (final) conclusions with respect to *the merits* of the case, including interpreting any statutory provisions in issue.

The Federal Court decided the claim was not justiciable because the case deals with "policy-ridden" socio-economic issues. This would not be the first time the Courts, including the Supreme Court of Canada, dealt with policy-ridden socio-economic issue(s), which contravene statue and the Constitution. These cases were put to the Federal Court, but ignored.

The Court's decision rests on a flawed interpretation of the word "may" in section 18 of the *Bank of Canada Act* which interpretation is one of the crux issues in dispute. Again, the Supreme Court of Canada has made it clear that statutory interpretation, particularly in the face of a constitutional challenge, should be determined by the trial judge, after evidence in a trial, *not* by a motions judge on a motion to strike, just based on the pleadings. The Supreme Court of Canada jurisprudence on this point was also ignored by the Federal Court.

The Federal Court decision is devoid of any logic, but-for its absurd reverse circular reasoning, because, by deciding these substantive issue(s), which the Court did not have the jurisdiction to do so, on a motion to strike, proved that the issue(s) *are* justiciable. But the Court, in essence, rules that the issue(s) are not justiciable because

Continued on page 19

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BONJOUR, AMERICA!

Immigration from Canada Was Once an Economic Boon

By Stephen R. Kelly, The New York Times, July 24, 2013

Durham, NC – Watching the free-for-all in Washington over immigration reform, it's easy to conclude that an airtight border has always been our national goal.

After all, the unmistakable message behind the bevy of border-security measures in the immigration bill, which was approved last month by the Senate and now sits in the House, is that a country that can't prevent foreigners from swarming unchecked across the land border is in serious jeopardy.

The trouble with this narrative, as I discovered when serving as the American consul-general in Quebec City in the late 1990s, is that it flies in the face of our own history.

From the late 1800s to the early 1900s, nearly a million French Canadians poured across our northern border to take jobs in New England textile and shoe mills. This movement, part of an even larger mass of Anglo Canadians also moving south, surged after the Civil War and ended with the Great Depression, with peaks in the 1880s and 1920s.

The majority of these job seekers – French-speaking, slow to assimilate, mainly Catholic – entered without visas; work permits or passports, because during most of this period our land border with Canada was effectively wide open.

The United States not only survived this unregulated onslaught, it prospered. Indeed, our history suggests that having an open border with our continental neighbors isn't such a bad thing.

Exactly how many French Canadians made the trek is difficult to calculate, because before 1895 no federal immigration officials monitored the northern land border. Neither Canada nor the United States had seen the free movement of people across their common border as a problem seeking a solution.

Even when the United States finally built land border posts in the late 1800s and early 1900s, they were aimed primarily at Eastern and Southern Europeans who were using Canada to sidestep immigration screenings at seaports like New York and Boston.

Canadian migrants, despite their huge numbers – by 1900 the number of Canadian-born United States residents equaled an astounding 22 percent of Canada's entire population – continued to receive special treatment.

They did not have to pay the head tax imposed on other foreigners, and no records were kept of their entry until the *Naturalization Act* of 1906. And it wasn't until 1926 that they had to get a visa to move permanently to the United States.

When the United States first imposed immigration quotas in 1921, Canadians – along with Mexicans and other Latin Americans – were exempt, a status they enjoyed until the quota system was modified in 1956.

So how did the United States fare during this period of largely unregulated Border crossings? And what happened to all those French Canadians, whose linguistic and religious differences made them stand out more sharply than Anglo-Canadian migrants?

Most flocked to mill towns in New England, where they powered the textile factories that boomed after the Civil War. In a pattern that reflects today's Mexican migration, they followed family members to places where jobs were plentiful, but hard and undesirable.

Their labor was in such demand that mill owners sent recruiters to Quebec to hire more. Entire villages would relocate south, usually by train, swelling the populations of towns like Biddeford, ME; Southbridge, Mass.; and Woonsocket, RI, whose populations by 1900 were more than 60 percent French Canadian.

As with Mexican migrants today, not everyone welcomed its influx. One Massachusetts official called French Canadians "the Chinese of the eastern states" in an 1881 report that described them as "indefatigable workers" who had no interest in assimilating and drove American wages down. They were even vilified at home in Quebec, where religious and political leaders sent emissaries to woo them back.

Some did return, but the majority stayed and assimilated. Besides helping to fuel New England's manufacturing boom, thousands served in the world wars. Rene Gagnon, whose Quebec-born mother worked at a shoe factory in Manchester, NH, was one of the Marines photographed raising the American Flag over Iwo Jima in 1945. The author Jack Kerouac was born of French Canadian parents in Lowell, Mass.

Far from causing the collapse of the republic, these largely unregulated border crossers helped build the United States we know today.

What the French Canadian experience shows is that our current obsession with border security is inconsistent with our history, undermines our economic vitality and is likely to fail.

Instead of vainly trying to fortify our land borders, we should be working with Canada and Mexico to keep the things we should really worry about – terrorists, weapons of mass destruction, cocaine – out of North America all together.

Stephen R. Kelly is a retired American diplomat and the associate director of the Center for Canadian Studies at Duke University.

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Our Comment. The Associate Director for Canadian Studies at Duke University, wisely enough, is seeking out situations that remind us of the concerns of the living rather than of the unburied dead. *W.K.*

Allende and 21st Century Socialism

By Rolando Vergara and Miguel Sanchez, The Bullet, Social Project E-Bulletin no. 876, September 11, 2013

September 11, 2013, marks the 40th anniversary of the military coup in Chile, the 40th anniversary of the death of Salvador Allende in La Moneda palace, and it will also mark the 40th year of the Chilean diaspora spread around the world. It is, undoubtedly, a relevant historical date for Chileans, Latin Americans, and for progressive people around the world.

This date has multiple meanings for the international revolutionary movement. Perhaps, the most important dimension for the historical memory of the people is the heroic combat of President Allende in the presidential palace for the dignity of the Chilean people, for democracy and socialism. After four decades of the coup, the figure of President Allende continues to grow and his example of decency, bravery and consistency defeat time and forgetfulness. His ideas attract the interest and guide the thinking and the actions of new generations of social and revolutionary activists in Latin America and other continents.

A different, but not less important connotation is that which points to the defeat of the Popular Unity government and its political project known as "via Allendista" (the Allendista way) or "la via chilena al socialism" (the Chilean way to socialism), and the victory of the bourgeois and imperialist counterrevolution. It is not our intention to examine here the violent imposition of the Pinochet's terrorist dictatorship, which allowed Chile to become the testing ground of the neoliberal policies that were applied later at a global scale. Rather we wish to propose that under certain conditions the "Allendista way" would have been successful.

The tragic end of the Popular Unity government, for a long time, posed a fundamental question to the Latin American and international revolutionary movement: Was it or was it not viable to adopt the "peaceful road" toward socialism in pluralism, freedom and democracy proposed by Allende and his government in the 1970-73's Chile?

The people and the Chilean working-class were still counting their casualties and mourning their dead, when some inside and outside of the left rushed to question and vehemently denied the viability of the Allendista project.

It was said that the institutional or peaceful way to build socialism was destined to fail from its very beginning. It was said that Allende's way was pure illusion and that the classic Marxist theory had already indicated the impossibility of a successful implementation of such a way.

Today, forty years after President Allende's death it is possible to sustain that "the Chilean way to socialism" as an untested revolutionary model to make profound social changes and build a more egalitarian and just society, was viable.

Some, the minority, had the lucidity to note that along with establishing the revolutionary character of the program and the alliance of social forces, what ultimately allows us to consider the process led by the Popular Unity government as revolutionary is precisely "the feasibility of it as a strategy of the proletariat that made possible the acquisition of the strength needed to build socialism in Chile" (Socialist Party of Chile, 1974).

The most categorical response to that important question concerning the character of the Allende government does not come from the pompous institutes of the renovated leftist intellectuals but from the very core of the new revolutionary struggles of the people of Latin America to achieve profound transformations and to reposition socialism as an alternative and a solution to the current problems of neoliberalism and globalization being forced upon the mass of humanity.

The political process led by Allende is indeed a violently halted revolutionary project, but still despite its tragic consequences has been an unavoidable source of valuable lessons to successful revolutionary processes taking place in Venezuela and other countries of Latin America.

Lessons Learned from Previous Revolutions

Lenin, the great leader of the Russian revolution, reflecting upon the lessons from the Commune, the first proletarian insurrection said that:

"The sacrifices of the Commune, heavy as they were, are made up for by its significance for the general struggle of the proletariat: it stirred the socialist movement throughout Europe, it demonstrated the strength of civil war, it dispelled patriotic illusions, and destroyed the naïve belief in any efforts of the bourgeoisie for common national aims. The Commune taught the European proletariat to pose concretely the tasks of the socialist revolution" (Lenin, 1982, p. 24).

And, in a particular reference to the struggle of the Russian working-class, Lenin, advised that it was important to learn from the lessons of the heroic Parisian workers. He said:

"…proletariat should not ignore peaceful methods of struggle – they serve its ordinary, day-to-day interests, they are necessary in periods of preparation for revolution – but it must never forget that in certain conditions the class struggle assumes the form of armed conflict and civil war" (Lenin, 1982, p. 24).

As the October revolution was not possible without the Paris Commune the Bolivarian revolution in Venezuela would not have been possible without "the Chilean way to socialism."

Hugo Chavez the leader of the Bolivarian revolution in Venezuela noted on the occasion of the 39th anniversary of the coup d'état in Chile that it was important to learn from the heroic struggle of the Chilean people. Along with paying tribute to Allende, he warned that "a revolution may well be carried out through peaceful means, but cannot be unarmed. So unarmed was the socialist revolution in Chile that Allende, a medical doctor and an intellectual, ended up putting on a helmet and grabbing a submachine gun and becoming his own soldier" (Chavez, 2012).

Allendista Way

Decades after the death of Allende, the Bolivarian revolution confirms that the strategy of the Chilean way to socialism was viable and the "Allendista way" under certain conditions was possible.

The originality of the Popular Unity and Allende's political project consisted in transforming the class character of the bourgeois state without the condition of destroying it demanded by the general principles of Marxism. It proposed that by electorally controlling the most important component of political power, the government or executive power, it was possible, to control the other institutions (i.e., judiciary, legislative, etc.) to gradually transform the character of the state. This task would be carried out without violence, without a civil war, and without a proletarian dictatorship.

The "Allendista way" developed over many years in the heat of social and political struggles of the popular movement of which Allende was always a visible participant. It was formulated in the ideological discussions that Allende himself brought forward when defending his strategic concept to build a new society. As a presidential candidate in four elections he had the unique opportunity to explain his vision to Chileans in every corner of the country.

From a theoretical viewpoint, when accepting the presidency Allende reiterated that:

"We are very clear as to who are the forces and agents of historical change. And, personally I know it very well that I can cite Engels to say that in the countries where the popular representation concentrates in it all the power the peaceful evolution from the old society to a new one can be conceived. What is desired can be done in agreement with the constitution once you have the majority of the nation behind you. And, that is the case in our Chile. Here, at last we have what Engels anticipated" (Salvador Allende Foundation, 1992, p. 292).

The reality of the political struggle and the events taking place immediately after the electoral victory of September 4, 1970, clearly show that the intention of the local bourgeoisie and US imperialism was to confront the popular movement in a different scenario from the democratic one chosen by the left leadership of Allende. This is demonstrated by the assassination of the Commander-in-Chief of the Army General Rene Schneider. Gen. Schneider, a constitutionalist general had stated that the army had to respect the Constitution and the Law and accept that Allende had become the President elect. He was assassinated by a Chilean right wing group of military officers and civilians, in October 1970. The logistics of this operation were supplied (guns and money included) by the Central Intelligence Agency through the US embassy in Santiago.

The purpose was to provoke a coup and prevent Allende's election from being ratified by Congress, in November 1970. Later, as the Popular Unity government was implementing its program and the revolutionary process started to gain momentum another serious right wing military revolt took place on June 29, 1973. This military revolt known as "El Tancazo" made it clear that the Chilean bourgeoisie and the US government had chosen violence to solve the political power struggle arising from the advancement of the popular movement challenge. Furthermore, according to the Church report, the Central Intelligence Agency of the United Stated (CIA) financed political parties, the right wing press and the terrorist group Patria y Libertad (Motherland and Liberty). Patria y Libertad blew up bridges, pipelines, electrical towers and carried out other terrorist attacks. Verdugo (2003) indicates that by 1973 there was a terrorist act every ten minutes in Chile.

With the perspective of time, we can assert that the tragic end of the Chilean Socialist project was not predetermined like a Greek tragedy. We can say that the chances of success or failure of the "Chilean way to socialism" were dynamic and in essence depended on the analysis and the political decisions made by the revolutionary leadership.

It is possible to argue, that the main cause of the defeat of the Popular Unity government in Chile is the inability of the Popular Unity's revolutionary leadership, and not so much of President Allende, to develop a strategy that was to consider two aspects. On the one hand, the intelligent use of all the possibilities offered by the bourgeois institutions to consolidate and move forward the socialist agenda. And, on the other hand, it would consider as a real possibility the exhaustion of the bourgeois institutional path to continue the revolutionary transformations and prepare for the armed confrontation brought upon the popular movement by the US and the local bourgeoisie, to resolve the issue of political power. Meanwhile the armed forces, persuaded by the US and the local bourgeoisie, ceased to be neutral and ceased to guarantee the democratic process. The replacement of General Prats, a constitutionalist general who succeeded general Schneider as the Chief of the Army paved the way for the reactionary military officers to take control of the Armed Forces and stage the coup d'état on September 11, 1973.

Some analyses have rightly stated that "when a revolutionary process aborts a strategic possibility of victory, the main responsibility lies on the leadership of the working-class. In the Popular Unity experience the main failure resides in the fundamental task of building the leadership strength to lead the process to achieve power" (Socialist Party of Chile, 1974).

The inevitable lesson that the defeat of the Popular Unity imposes on the present and future revolutionary struggles is the need to design a strategy that contemplates the following two components: the tactical use of peaceful non-violent means; and, the anticipation and preparation for the armed confrontation to accede power. The recent revolutionary experiences in Latin America demonstrate that the neutrality of the Armed Forces is an important condition for revolutionary processes, to succeed. As in Chile, in Venezuela the US and its local allies have attempted military coups in order to reverse the Bolivarian process. Up until today the reactionary forces in Venezuela, Ecuador, and Bolivia have not been able to use the Armed Forces to help them to regain the executive power they lost through popular and democratic elections.

The Bolivarian revolution, learning from the Chilean experience, knew how to resolve this important strategic problem under the leadership of Hugo Chavez. He advised that, "to avoid armed wars the oligarchy and the US imperialism have to be notified that this is a peaceful revolution, but it is an armed revolution, armed with ideas and guns to defend the people, its program and its hope" (Chavez, 2012).

Forty years after his death, to remember Salvador Allende is neither a nostalgic act nor a gesture of loyalty to a person who interpreted the desire for revolutionary changes and social justice of an entire people. To remember Allende is, above all, to take responsibility for the past; to analyze the revolutionary experience of the Popular Unity and learn from it; to reflect on the political practice of Allende and to protect its legacy so that it can be applied to the new conditions facing the people of Latin America and the world.

Hugo Chavez understood this very well and shortly before his death, while paying tribute to Salvador Allende, said:

"Some theorized that the way to socialism was impossible through the electoral process and the peaceful, non-violent way. The years have passed and I think that what's happening today in Latin America validates the attempt made by Allende and the Chilean people. It is not [intelligent] to say that it is not viable to create through peaceful methods the path to socialism" (Chavez, 2012).

The Bolivarian revolution in Venezuela and the depth of the popular and democratic transformations taking place in Bolivia and Ecuador are reaffirming the viability of the Allendista's way to build socialism.

In his first message to the Chilean parliament in 1970, Allende delineated with passion and conviction his utopian dream – "…am sure that we shall have the necessary energy and ability to carry on our effort and create the first socialist society built according to a democratic, pluralistic and libertarian model" (Salvador Allende Foundation, 1992, p. 325).

On this September 11, in Latin America and around the world, thousands of tributes will be offered to Salvador Allende, the man who imagined the socialism of the 21st Century.

Rolando Vergara and Miguel Sanchez are both Research Associates with the Latin American Research Institute (LARI). Both are former political prisoners of the Pinochet dictatorship and came to Canada as political refugees. Rolando was a teacher in Chile now works in information technology. Miguel is the associate dean at the faculty of social work at the University of Regina.

This article is an expansion of an original work entitled "Allende's Dream Was Possible" and published at the LARI's website, www.laricanada.ca.

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Our Comment

Each and every civilization has its deadly killing powers. In this shrinking dimension scheme, we must reassess the past experience, or we simply have no license to talk meaningfully about humanity's future.

W.K.

Student-Loan Load Kills Startup Dreams

By Ruth Simon, The Wall Street Journal, August 14, 2013

The rising mountain of student debt, recently closing in on $1.2 trillion, is forcing some entrepreneurs to abandon startup dreams and others, including Christine Carney of Orono, Maine, to radically reshape their business plans.

Ms. Carney, 29 years old, and her husband, John 31, started Thick & Thin Designs, making and selling food picks in the shapes of zombies, bikes and deer antlers after a brainstorming session while she was cooking dinner. The couple, both students at the University of Maine, where he is earning a master's degree in fine arts and she is earning her second undergraduate degree, in zoology, sell the picks for about $12 a dozen as decorative cupcake toppers.

But they chose not to purchase a laser cutter, because doing so would require them to take out a business loan – and together they have $140,000 in leftover student debt. Instead, they use a university-owned laser cutter, which limits the size of the acrylic sheets they can work with. Having the student-loan debt "is preventing me from being able to take a lot of chances or risks that are usually necessary when starting a business," Ms. Carney says.

The average student who borrows has piled up about $40,000 in debt by graduation, including parents' loans, nearly double the levels of a decade ago, according to Edvisors.com, which runs college-planning and financial-aid websites. Recipients of graduate and professional degrees who borrow average more than $55,000 in debt at graduation, including undergraduate loans, but not parent loans. That is up from $40.800 some 10 years ago.

Some academic experts say leftover loans are the biggest impediment to upstart entrepreneurship by those who recently received college or graduate degrees. "I mentor students all the time," says Vivek Wadhwa, a fellow at Stanford University Law School. "The single largest inhibitor to entrepreneurship is the student loans."

Recent graduates and college dropouts account for a disproportionate share of the founders of technology startups that have transformed the economy over the past decade, says Shikhar Ghosh, a senior lecturer at Harvard Business School. Many freshly-minted MBAs "are willing to sleep on a couch for a year or two, but they can't do it with the burden of student loans," he adds.

Jackson Solway created an online service last year to connect employers with teams of freelancers. He hoped he could sell it to companies eager to keep staffing lean. But he gave up on his new business venture this spring, after just one year. Faced with $400-a-month payments on nearly $40.000 in student-loan debt, he says he had little choice but to look for the steady paychecks that accompany a regular job.

If he didn't face student-loan payments, he says, he would have worked at his nascent business venture for at least another six months. "I love the startup world. I would be a serial entrepreneur if it weren't for my student loans," says Mr. Solway, who earned a political science degree in 2009 from Colorado College.

At least one state has taken steps to alleviate the pressures. California this year enacted legislation that will reduce college costs for middle-class Californians who attend its public universities.

Similarly, the Rode Island Student Loan Authority, a quasigovernmental nonprofit group, is looking at whether it is feasible to temporarily forbear or reduce payments for recent graduates who start a businesses or go to work for a new venture. The aim is to give recent graduates "the opportunity to try working for a startup or creating a startup instead of having to run off to Arizona and start working for Intel," says Charles P. Kelly, Risla executive director.

Starting a new venture is a big risk, of course. For most entrepreneurs, the biggest challenges are "starting and getting your company a corporate life" and "getting market traction," says Dane Stangler, director of research and policy for Ewing Marion Kauffman Foundation, a Kansas City, MO, nonprofit that studies entrepreneurship.

Like other borrowers, entrepreneurs struggling to make federal loan payments may be able to take advantage of deferments or forbearance to temporarily delay their loan payments, though, in many cases, interest will continue to accumulate. The federal government also offers several programs that let borrowers tie monthly loan payments to income. Options for borrowers with private loans are more limited.

Sara Gragnolati, 36, accumulated more than $90,000 in federal and private loans, most while earning an MBA from Babson College in 2010. Her Boston-based company, Cocomama Foods Inc., now sells its gluten-free hot cereals in about 300 stores and is getting ready to launch a second product line, crunchy dried cereals made of grains such as quinoa, millet and flax. But while business is expanding, Ms. Gragnolati still isn't drawing a salary. Although she has been deferring payments, she must begin repaying $200 monthly on her private student loans in November. She hopes she can either continue to defer the $559 monthly payments on her federal loans, or perhaps make reduced income-based payments. Figuring out the best way to manage student loans is difficult, because loan programs "don't really recognize my entrepreneurship," she says.

Levi Belnap and Alex Pak graduated from Harvard Business School in May with $250,000 in student loans between them. The pair have received $200,000 in seed capital for FindIt, which helps users locate emails and documents on their iPhones. With loan payments coming due this fall, they will soon have to seek additional funding. "It's basically forced us down a path, for better or for worse because of that debt burden," says Mr. Belnap, 29, who is married and has two young children. "We have real responsibilities that we have to face."

Some Entrepreneurs view their student-loan payments as a motivator. "We are under the clock to get our product out there and make sales," says Andrew Torba, co-founder and chief executive of Kuhcoon, a tool for managing social media.

Mr. Torba, 22, a philosophy major who minored in entrepreneurship and political science, graduated from University of Scranton in May with $30,000 in debt. His loan payments kick in this November when the standard six-month grace period for most student loan ends. Student-loan payments are "pushing me forward," he says. "I'm making sure that I make every single day count."

Despite Loan-Payment Options, Beware of the Pitfalls

Being an entrepreneur is inherently risky. Adding student loans to the mix often makes the perils of failure even greater.

One of the biggest challenge for most entrepreneurs with student debt is to make loan payments while earning little to nothing at their startup. Borrowers can ease the pain by temporarily deferring or forbearing loan payments. With a deferment, the loan payment is temporarily suspended; with forbearance the loan payment may be reduced to suspended. With federal loans, borrowers can sometimes make lower monthly payments that are tied to income.

Those approaches can bring significant downsides. Those who make reduced loan payments are likely to take longer to repay their loans, increasing the amount of interest paid over time. In some cases, a loan balance may actually rise despite a borrower's regular monthly payments.

Consider Nikola Budisvljevic, a co-founder of the online ridesharing company RidePost, who lives in Washington. A Duke University Graduate who has a law degree and an MBA from the University of South Carolina, he has $230,000 in debt.

He currently is making interest-only payments on some of his private loans and is on forbearance for others. For his federal loans, he is making income-based payments that don't even cover the interest due. Mr. Budisvljevic has seen his loan balance rise by about $7,000 over the past 10 months, even though he has made about $8,000 in loan payments. Every three months, he reassesses whether he can afford to stick with the startup despite his rising debt.

"The federal loans are a little more flexible," he says. "But the reality is, the smaller you keep [the loan payments], the more you keep losing ground.

Penalties are particularly severe to borrowers who don't make their payments. Andrew Josuweit, 26 years old, graduated from Bentley University in Waltham, Mass., in 2009 with a degree in economics and nearly $87,000 in federal and private student loans, some cosigned by his parents. He moved to Southeast Asia for a year to keep expenses down while starting Wafflehaus Media, which designs websites and develops software. While there, he defaulted on his federal student loan payments.

Now that the business is turning a profit, Mr. Josuweit, who lives in New York, is making interest-only payments on his private loans and income-based payments on his federal debt. But the amount he owes has swelled to $107,000 because of unpaid interest and penalties. The default also damaged his credit score. Last year, he started Student Loan Hero Inc. to help borrowers manage loan payments.

"Any time you lower the payment, you are probably extending the term," which makes the loan more expensive, says Betsy Mayotte, director of compliance for American Student Assistance, which counsels borrowers with education debt. Entrepreneurs who expect their income to rise can make that up down the road by paying extra." Under the federal government's income-based and income-contingent repayment programs, borrowers who make consistent payments can have their remaining debt forgiven after 25 years. A third program, known as Pay As You Earn, provides forgiveness after 20 years. Under all three programs, the debt forgiven is treated as taxable income.

"A startup is risky," says Mark Kantrowitz, senior vice president of Edvisors.com which runs college-planning and financial-aid websites. "If it fails – and some startups do – you will be in over your head on everything."

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Our Comment. By the time there was a scheme to finance a baby credit using market sources, a baby enterprise would likely be struggling. That is most unlikely to be the sort of liability that lies down in a good-mannered way on the sidewalk and behaves. *W.K.*

Road Through Roman History Creates Colossal Headache

By Elisabetta Povoledo, The New York Times, August 1, 2013

Rome – Via dei Fori Imperiali, a multilane artery running through the heart of Rome, is typically a frenzy of swerving Vespas, zipping Smart cars and honking Fiat taxis.

But Mayor Ignazio Marino is seeking to transform the avenue to something calmer, where Gucci loafers and sensible sneakers would rule.

Mr. Marino's plan to ban private traffic on the roadway, which bisects a vast archaeological site, from the central Piazza Venezia to the Colosseum, has prompted grousing and histrionic debate over a project that conservators say would solidify the world's largest urban archaeological area.

This being Rome, the first high-impact initiative of his seven-week-old administration, which goes into effect on Saturday, has provoked its share of unfavorable comparisons with the overweening ambitions of emperors past. "The mayor's job is not to pass into history, but to work for his citizens," said Luciano Canfora, a professor of classics at the University of Bari. "We already had Nero, that's more than enough."

He predicted the plan would "torture" other Romans with "catastrophic" traffic jams.

To the mayor, though, the project is the cornerstone of a bigger vision that plays on Rome's strengths and uniqueness to develop a strategy for the city based on environmental and cultural sustainability.

"I want to change what was a highly trafficked street into a walk into history," Mr. Marino, 58, said in an interview at his offices on the Capitoline Hill, which overlooks the Roman Forum. "It's part of a dream of giving back to Romans, Italians and people from around the world this incredible place where the history of the Western world developed."

Of course, modern Romans, and especially the neighborhood's residents, have more practical concerns. Most have to do with the anticipated spillover effect of closing a broad avenue used by as many as 1,600 motorists an hour during peak times of day, according to city statistics.

Residents' associations and local shopkeepers fret about aggravating the traffic congestion that is already as quintessentially Roman as the city's famed cupolas, making their lives even more "invivibile," a common Italian expression used by those complaining about life in the capital.

"We will block the streets, set up barricades," pledged Luciana Gasparini, the president of Via Merulana per L'Esquilino, a neighborhood group that is organizing a protest against the project. (But, in Roman fashion, it will take place in September, once people have returned from their August holidays.)

Franco Aldini, a tailor with a shop on Via Labicana, complained that his business had already dropped since street work began in preparation for the closing. Mr. Aldini said he was considering suing the city for damages if the situation dragged on. "The mayor can't decide from one day to the next to lock down a neighborhood," he said.

But it seems that the mayor can, and did, forging ahead with a project that was a centerpiece of his campaign. In this first phase, the tract of Via dei Fori Imperiali closest to the Colosseum will be off limits to private vehicles, but not to busses and taxis. A rather optimistic simulation is visible on the city's transportation Web site.

The final goal is to make the Via dei Fori Imperiali a pedestrian area from one end to the other, and to finance the project with subsidies from the European Union.

"I think Rome needed a kind of shock," said the mayor, a former transplant surgeon, using the analogy of a person receiving emergency treatment. "The city had been sleeping and needed to wake up. After the shock, you go on to live a long, productive life."

Mr. Marino spent nearly 20 years of his career as a doctor in the United States before returning to Rome in 2006, when he plunged into politics and was elected to the Senate with the center-left Democratic Party. This year, he decided not to run again at a national level but instead turned his sights on Rome, the city he "loves most in the world," he said. Mr. Marino easily beat Gianni Alemanno, the incumbent, center-right mayor, in June.

Mr. Marino cheerfully acknowledged that he would be "crucified" by citizens in the short term, but said it was worth fighting for his "vision of what I want this city to be in 30 years." He added, "No one will remember who the mayor was in 2013, but everyone will appreciate the pedestrian area."

Via dei Fori Imperiali was built during the 1920s by Benito Mussolini, the Fascist dictator, as a marching avenue for triumphant troops linking his palace in Piazza Venezia to the Colosseum, the most recognizable symbol of ancient Roman power. It was an ambitious project that destroyed a densely populated area of central Rome, and also separated the Roman Forum from the imperial forums of Trajan, Augustus, Caesar and Nerva.

Conservators and municipal and state archaeology officials have long nurtured the wish to reconnect the forums. They have also been keen to limit the effect of traffic on the monuments, including vibrations and smog, "which is eating away at the surface of the monuments, like those terrible photos showing how cigarettes eat away at one's lungs," said Rossella Rea, the culture ministry official responsible for the Colosseum.

But in a city where history is as stratified as lasagna, some argue that the Via dei Fori Imperiali has its own notable equally valid past and so should be preserved.

"It is the result of an operation undertaken under Fascism that changed the face of the city, like the 19th-century boulevards that changed Paris," said Professor Canfora. "No one would dare to ask to turn back French history," he added, so why "think that you can return Rome to an archaeological site?"

Actually, the mayor said he hoped that the road closing would help modify Romans' driving habits, by encouraging more people to leave their vehicles at home. He said about 60 percent of Romans travel less than five kilometers a day – roughly three miles – to get to work.

"As a scientist, I find that numbers give a more clear and precise picture," he said, and gave a few facts: 970 of 1,000 adult Romans have cars, compared with 340 in London, and the average speed of public transportation in Rome is less than 9 miles per hour. "One of the slowest in the Western world," he said. "You could run faster."

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Our Comment. "Running faster" would deprive you of the prestige of officially achieving the record. That crosses the official in "morality gain." Hence, it won't fly. *W.K.*

Taking Power In and Beyond the State

By John Milios and Haris Triandafilidou, The Bullet, Social Project E-Bulletin no. 866, August 19, 2013, www.socialistproject.ca/bullet

The near election victory of the Coalition of the Radical Left (SYRIZA) in June 2012 has made the debate over the conditions for a left to take power of burning contemporary significance. With nearly 27 per cent of the popular vote, the formation of a government clearly to the left of social democracy has moved from being a far-off wish for the future to a real, tangible possibility of the present in Greece. This is not the logical result of an evolutionary process of decay of crisis-ridden capitalism, but rather the result of plural class struggles as well as the specific intervention of the radical left in Greece within them.

The representation crisis of parliamentary democracy that is observable across Europe, has been increasingly palpable in Greece since 2004. Since the end of the social democratic government of Konstantinos Simitis and the delegitimation of his proposed modernization and europeanization discourse, a political representation crisis began to loom, and was deepened in the years of the conservative government of Kostas Karamanlis (2004-2009). This is mostly due to the ongoing corruption within the state apparatuses and lack of perspective amongst the younger generation that already predated the crisis, and which made the construction of a new, stable hegemonic project impossible. Under the impact of the Memorandum, the vanishing charisma of neoliberalism began since 2010 to develop ultimately into a crisis of hegemony.

From the Crisis of Representation to the Crisis of Hegemony

For a sufficient understanding of the current situation, it must be remembered here, that the crises of hegemony in no way results in the automatic strengthening of the political left. Instead, it is the strategies and tactics chosen by the left that are critical in determining the character of the efforts to overcome the crisis, and the developments which will come out of the political shifts and transformations.

The deep economic crisis, the maintenance of politics which accentuate the sharpening recession, the nearly exclusive burden on wage-dependent and traditional petty bourgeoisie, have produced such a situation, from which it is nearly impossible for the established bourgeois parties to escape unscathed. It is the struggles of the last three years however, which ultimately brought about a situation in which the chances for a radical emancipatory transformation has become closer than at any other point in time in the European post-war period. There are above all two moments that are responsible for SYRIZA going from being a marginal player to becoming a central actor on the political stage: First, its participation as an *organic part* of the social movements in the protests of the past three years, which were fundamental for the politicization of spontaneous, collective outbreaks of anger, like the Syntagma movement was. Through SYRIZA's relationship to the existing struggles, it was possible for the party *to transport the protest and social struggles into the bourgeois state, to sharpen existing political conflicts*, and to deepen the crisis of bourgeois hegemony.

Under these conditions, an incredibly heterogeneous resistance and protest movement began to identify itself toward the left, and under SYRIZA's project for the development of a left government for the uncompromising overturning of the politics of the Memorandum, *toward the formation of a new political camp.* SYRIZA's goal of building a left government coalition beyond a neoliberalized social democracy, and of giving concrete and especially prompt expression to the preceding mass mobilizations, through the assumption of governing responsibilities, represents the second determining moment for the direction which the developments in Greece have taken. All those within this process, who find themselves together in this political project, constitute an amalgam of thoroughly contradictory political orientations, in which there is the co-existence of left nationalism, anti-capitalism, internationalism, and conceptions of a controlled and therefore "more just" organization of capitalism, amongst others. This heterogeneous mass, which feels sometimes more and sometimes less strongly represented by the party's aims, nevertheless is *set in motion through its common relationship to SYRIZA*. This way it constantly extends the left discourse and creates the conditions for a deeper change in power relations.

The Moment of State Power

The radical transformation of power relations to the benefit of the subaltern can in no way occur by first engaging in civil society and to aim for state power only in a last step, after ideas and political goals of the left had become hegemonic. The analysis of the concrete conditions of the concrete situation, which we are experiencing in the Greek societal formation, shows that social movements, solidarity initiatives, cooperative production under the direction of workers and other moments of a solidarity economy are able to advance and further develop themselves, when they rely on higher levels, that is, on a *government*, which acts toward their advantage. Social struggles in civil society and social struggles inside the state have to strengthen one another. Seeking government power is not the goal but an indispensable intermediate step. We all know, that winning government does not mean winning state power and even less it means winning back structural economic and social power. But it can help to change power relations.

A government, whose central actors are

the Coalition of the Radical Left, would be in the position to immediately revoke the politics of the Memorandum and to concretely ameliorate the living conditions of broad sections of the population. The current state uses the crisis for the radical readjustment of the relationship between capital and labour. With the means of a reactionary law-and-order discourse, a no-tolerance politic and massive physical repression, it aims to reestablish bourgeois hegemony. A victorious moment in the mobilization process against this strategy would be an important step for the further orientation toward the left. The left government project seeks thereby not only the end of neoliberal politics and the re-establishment of the old status quo.

It is much more about a *fundamentally different conception of the formation and exercise of political power*, in which, the establishment of directly democratic control and structures play a central role in the path to socialism in the twenty-first century. This implies the reconfiguration of the state, its constraint through the establishment of structures, which embed the popular classes into the new formation of life and work. This would *ensure, that a left government in Greece, is grounded in the societal roots*, which makes it possible for society to withstand the attacks of capital. The struggles of the last three years and their results show that in this authoritarian, neoliberal Europe it is not possible, to change the world without taking power in and beyond the state.

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Haris Triandafilidou researches social struggles in Greece in the context of the euro crisis and is active in SYRIZA.

Translated by Robert Ogman.

We Don't Have To Be In Financial Crisis

From PaulCraigRoberts.org, July 30, 2012

In the article below, Herman Daly, a University of Maryland and former World Bank economist, makes the case for 100% reserves. This reform, once a principal goal of important economists, would terminate the ability of the banking system to create credit to finance its own speculations and return the power over money to the government from private banks.

Herman Daly is one of the few economists who is capable of thinking outside the box devising reforms that benefit the people rather than the vested interests.

Nationalize Money, Not Banks

By Herman Daly, Emeritus Professor, University of Maryland School of Public Policy. From Sustainable Economics, vol. 21(4), August 2013, newsletter of the Monetary Reform Policy Working Group of the Green Party of England and Wales.

If our present banking system, in addition to fraudulent and corrupt, also seems "screwy" to you, it should. Why should money, a public utility (serving the public as medium of exchange, store of value, and unit of account), be largely the by-product of private lending and borrowing? Is that really an improvement over being a by-product of private gold mining, as it was under the gold standard?

The best way to sabotage a system is hobble it by tying together two of its separate parts, creating an unnecessary and obstructive connection. Why should the public pay interest to the private banking sector to provide a medium of exchange that the government can provide at little or no cost? Why should seigniorage (profit to the issuer of fiat money) go largely to the private sector rather than entirely to the government (the commonwealth)?

Is there not a better way? Yes, there is. We need to go back to the gold standard. Keep fiat money, but move from fractional reserve banking to a system of 100% reserve requirements. The change need not be abrupt – we could gradually raise the reserve requirement to 100%. Already the Fed has the authority to change reserve requirements but seldom uses it. This would put control of the money supply and seigniorage entirely with the government rather than largely with private banks. Banks would no longer be able to live the alchemist's dream by creating money out of nothing and lending it at interest. All quasi-bank financial institutions should be brought under this rule, regulated as commercial banks subject to 100% reserve requirements.

Banks cannot create money under 100% reserves (the reserve deposit multiplier would be unity), and banks would earn their profit by financial intermediation only, lending savers' money for them (charging a loan rate higher than the rate paid to savings or "time-account" depositors) and charging for checking, safekeeping, and other services. With 100% reserves every dollar loaned to a borrower would be a dollar previously saved by a depositor (and not available to the depositor during the period of the loan), thereby re-establishing the classical balance between abstinence and investment. With credit limited by saving (abstinence from consumption) there will be less lending and borrowing and it will be done more carefully – no more easy credit to finance the leveraged purchase of "assets" that are nothing but bets on dodgy debts.

To make up for the decline and eventual elimination of bank-created, interest-bearing fiat money. However, it can only do this up to a strict limit imposed by inflation. If the government issues more money than the public voluntarily wants to hold, the public will trade it for goods, driving the price level up. As soon as the price index begins to rise the government must print less. Thus a policy of maintaining a constant price index would govern the internal value of the dollar. The external value of the dollar could be left to freely-fluctuating exchange rates.

Alternatively, if we instituted John M. Keynes' international clearing union, the external value of the dollar, along with that of all other currencies, could be set relative to the "bancor," a common denominator accounting unit used by the payments union. The bancor would serve as an international reserve currency for settling trade imbalances – a kind of "gold substitute."

The United States opposed Keynes' plan at Bretton Woods precisely because under it the dollar would not function as the world's reserve currency, and the US would lose the enormous international subsidy that results from all countries having to hold large transaction balances in dollars.

The payments union would settle trade balances multilaterally. Each country would have a net trade balance with the rest of the world (with the payments union) in bancor units. Any country running a persistent deficit would be charged a penalty, and if continued would have its currency devalued relative to the bancor. But persistent surplus countries would also be charged a penalty, and if the surplus persisted their currency would suffer an appreciation relative to the bancor.

Keynes' goal was balanced trade, and both surplus and deficit nations would be expected to take measures to bring their trade into balance. With trade in near balance there would be little need for a world reserve currency, and what need there was could be met by the bancor. Freely fluctuating exchange rates would also in theory keep trade balanced and reduce or eliminate the need for a world reserve currency. Which system would be better is a complicated issue not pursued here. In either case the IMF could be abolished since there would be little need for financing trade imbalances (the IMF's main purpose) in a regime whose goal is to eliminate trade imbalances.

Returning to domestic institutions, the Treasury would replace the Fed (which is owned by and operated in the interest of the commercial banks). The interest rate would no longer be a target policy variable, but rather left to market forces. The target variables of the Treasury would be the money supply and the price index. The treasury would print and spend into circulation for public purposes as much money as the public voluntarily wants to hold. When the price index begins to rise it must cease printing money and finance any additional public expenditures by taxing or borrowing from the public (not from itself). The policy of maintaining a constant price index effectively gives the fiat currency the "backing" of the basket of commodities in the price index.

In the 1920s the leading academic economists, Frank Knight of Chicago and Irving Fisher of Yale, along with others including underground economist and Nobel Laureate in Chemistry, Frederick Soddy, strongly advocated a policy of 100% reserves for commercial banks. Why did this suggestion for financial reform disappear from discussion? The best answer I have received is that the great depression and subsequent Keynesian emphasis on growth swept it aside because limiting bank lending to actual savings was too restrictive on growth, which became the big panacea. Also there is the obvious vested interest of commercial banks in retaining the privilege of creating money and lending it at interest.

Now suppose for a moment that aggregate growth has begun to increase environmental and social costs faster than production benefits, thus becoming uneconomic growth. There is much evidence that this is the case. Then a financial constraint on growth (balancing investment with abstinence) would be much needed, and 100% reserves would be a good way to accomplish it. If, however, growth remains the summum bonum of the economy, then we will inevitably borrow against our hoped for larger future income to finance the investments needed to produce it.

Financing investment by saving would require less present consumption, which many will deem to be an unacceptable drag on growth. But real growth has encountered the biophysical and social limits of a "full world."

Financial growth is being stimulated ever more in the hope that it will pull real growth behind it, but it is in fact pushing uneconomic growth – growth of "illth." Since illth is negative wealth it can hardly redeem the growing debt that is financing it.

The original 100% reserve proponents mentioned above were in favor of aggregate growth, but wanted it to be steady growth in wealth, not speculative boom and bust cycles. Soddy was especially cautious about

Unifor — Opening a New World

By Richard Priestman, President, Kingston Chapter, COMER

To Jerry Dias, President, and members and supporters of the new super union UNIFOR!

Congratulations!

You say,

"The labor movement is searching for ways to respond to neoliberal economic policies that have undercut and eliminated the industries where unions once thrived…."

You need only look at the changes to monetary policy that took hold during the 1970s to understand what happened, and what needs to be changed. For the thirty years prior to the '70s the government created immense amounts of money, first to pay for the war industries and armed services. After the war it created more money to transform war industries into peace-time industries. Manufacturing flourished. Jobs were plentiful. Old-age pensions were introduced. A national health-care system was put in place. There was more money for education. *We had the best economic times in our history, and inflation never got out of hand.*

In the 1970s monetary policy was changed. It was deemed better to borrow money from private banks and pay interest instead of using government-created money, i.e., instead of borrowing from our national bank, the Bank of Canada. This quickly resulted in huge interest-bearing public debt. To pay for the debt cuts were made and are still being made in public services.

On February 8, 2008, Andrew Jackson, National Director of Social and Economic Policy for the Canadian Labour Congress, said in a letter to Sandra Willard, union member and member of COMER:

"The Bank of Canada does indeed have the power to create money and to lend to the government at zero interest, and there are times at which it could and should use that power. For example, if we were to enter into a deep recession, one way out would be to fund government investment through this means."

How deep does a recession have to be before it is deemed deep enough for the government to use its money creating powers to finance infrastructure development, education, health and social services, research and more? The jobs spinning off from these activities would put more cash in circulation which, when spent, would lead to more economic activity. Using the government's money creating power is one way of responding to "neoliberal economic policies."

Unifor could use its new strength to convince government to do just that.

Supporting documentation is available.

(Unifor is the name of the new union which was created over the recent Labour Day weekend. It is a very big union. The name is acceptable in French as well as in English. Because of the strong stance taken by Jerry Dias, newly elected president of Unifor, to "respond to neoliberal economic policies," and because of the size and strength of the new union, we hope that Unifor will recognize the need for union support to change monetary policy so that the government will use its power to create money or borrow from the Bank of Canada at zero interest to invest in public needs. For more about Unifor, go to www.newunionconvention.ca and http://peoplesworld.org/new-canadian-super-union-aims-for-different-kind-of-unionism.)

uncontrolled physical growth, yet his main concern was with the symbolic financial system and its disconnect from the real system that it was supposed to symbolize. The result was confusion between wealth and debt. One need not advocate a steady-state the attractions of 100% reserves, but if one does favor a steady state the attractions of 100% reserves are increased.

How would the 100% reserve system serve the steady-state economy?

First, as just mentioned, it would restrict borrowing for new investment to existing savings, greatly reducing speculative growth ventures – for example the leveraging of stock purchases with huge amounts of borrowed money (created by banks ex nihilo rather than saved out of past earnings) would be severely limited. Downpayments on houses would be much higher, and consumer credit would be greatly diminished. Credit cards would become debit cards. Long-term lending would have to be financed by long-term time deposits, or by carefully sequenced rolling over of shorter term deposits. Growth economists will scream, but a steady-state economy does not aim to grow, for the very good reason that growth has become uneconomic.

Second, the money supply no longer has to grow in order for people to pay back the principal plus the interest required by the loan responsible for the money's very existence in the first place. The repayment of old loans with interest continually threatens to diminish the money supply unless new loans compensate. With 100% reserves money becomes neutral with respect to growth rather than biasing the system toward growth by requiring more loans just to keep the money supply from shrinking.

Third, the financial sector will no longer be able to capture such a large share of the nation's profits (around 40%!), freeing some smart people for more productive, less parasitic, activity.

Fourth, the money supply would no longer expand during a boom, when banks like to loan lots of money, and contract during a boom, when banks like to loan lots of money, and contract during a recession, when banks try to collect outstanding debts, thereby reinforcing the cyclical tendency of the economy.

Fifth, with 100% reserves there is no danger of a run on a bank leading to a cascading collapse of the credit pyramid, and the FDIC could be abolished, along with its consequent moral hazard. The danger of collapse of the whole payment system due to the failure of one or two "too big to fail" banks would be eliminated. Congress than could not be frightened into giving huge bailouts to some banks to avoid the "contagion" of failure, because the money supply is no longer controlled by the private banks. Any given bank could fail by making imprudent loans, but its failure, even if a large bank, would not disrupt the public utility function of money. The club that the banks used to beat congress into giving bailouts would have been taken away.

Sixth, the explicit policy of a constant price index would reduce fears of inflation and the resultant quest to accumulate more as a protection against inflation. Also it in effect provides a multi-commodity backing to our fiat money.

Keynes' "bancor" scheme or a regime of fluctuating exchange rates would automatically balance international trade accounts, eliminating large surpluses and deficits. Thus, there would no longer be any need for the International Monetary Fund and the austerity its "conditionality" imposes on weaker economies.

To dismiss such sound policies as "extreme" in the face of the repeatedly demonstrated failure and fraud of our current financial system is quite absurd. The idea is not to nationalize banks, but to nationalize money, which is a natural public utility in the first place. The fact that this idea is hardly discussed today, in spite of its distinguished intellectual ancestry and common sense, is testimony to the power of vested interests over good ideas. It is also testimony to the veto power that our growth fetish exercises over the thinking of economists today.

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Our Comment. There is a great deal of rethinking needed for our wits to catch up with the approved fictions of government policies. *W.K.*

Find the Loan Behind the Loans

By Gretchen Morgenson, The New York Times, September 8, 2013

Online lenders who charge borrowers stratospheric interest rates are coming under pressure from state regulators – and it's about time. But to get at the root of the problem, the regulators may need to dig much deeper.

Last month, for example, the New York attorney general followed other states' regulators in suing Western Sky Financial and its affiliate Cash Call Inc. The lawsuit contended that rates charged to borrowers by the companies – from 89 to 343 percent, depending on loan size – far exceed the caps determined by the state's civil and criminal usury laws. A borrower receiving $1,000 could wind up owing almost $5,000 in finance charges, fees and principal over two years, the complaint said.

Last Tuesday, Western Sky suspended operations, saying it was a victim of regulatory overreach, though its affiliate, Cash Call, was still functioning. Katya Jestin, a lawyer at Jenner & Block who represents the companies, said that because Western Sky operated on the Cheyenne River Indian Reservation in Eagle Butte, SD, New York officials had no jurisdiction over it.

"We will be moving to dismiss the suit against Cash Call and the other parties," Ms. Jestin said in an interview on Thursday. "Consumers voluntarily entered into the loans and agreed when they signed the loan agreements to be bound by the laws and the courts of the Cheyenne River tribe. The AG's lawsuit is an attempt to sidestep these agreements and is an infringement on the tribe's inherent sovereign rights and the rights of its members."

It is unclear what more might happen with the New York attorney general's case. But here's a suggestion: when prosecutors pursue payday lenders, why not go further? Investigators should track down – and disclose – the institutions and individuals who make these operations possible by providing the capital that such companies need to conduct their business.

The capital needs of companies like Western Sky are crucial because, unlike banks, they don't take in deposits that they can turn around and lend. They have to rely on financing from other sources.

According to the attorney general's complaint, Western Sky makes loans for which Cash Call, based in Anaheim, Calif., provides funding. Cash Call also acts as the servicer on Western Sky's loans, collecting interest and principal payments from borrowers.

The question that the complaint doesn't answer is this: Who is willing to provide the capital that enables Cash Call to finance what regulators say are predatory loans?

When asked if the office was investigating who was financing the company, Damien LaVera, a spokesman for the New York attorney general, declined to comment. He said the investigation was continuing.

I've found a preliminary answer. Documents from a 2007 lawsuit show who was providing financing assistance to Cash Call in previous years. The institutions included Deutsche Bank Securities and a unit of Citigroup, known as the CIGPF 1 Corporation.

That lawsuit was brought by Cash Call against CIGPF in Federal District Court in New York. It related to a dispute over the bank's financing arrangement with Cash Call. The suit was subsequently dismissed, but the court documents remain – and they provide a glimpse of the relationships between Cash Call and its bankers, Deutsche Bank and Citigroup.

Cash Call, the lawsuit said, obtained financing for its lending business from two credit facilities. The so-called senior facility, totaling as much as $1 billion, provided capital for about 90 percent of Cash Call's consumer loans, the lawsuit said; a junior facility covered the rest.

Deutsche Bank Securities led the senior facility, or line of credit, which was backed by a variety of lenders, including CIGPF. The lawsuit said that this Citigroup unit had $20 million invested in this lending facility.

The smaller line of credit also involved both Deutsche Bank and the Citigroup unit. According to the suit, CIGPF invested $30 million in this facility.

Under these credit agreements, money

Milton Friedman, Unperson

By Paul Krugman, The New York Times, August 12, 2013

Recently Senator Rand Paul, potential presidential candidate and self-proclaimed expert on monetary issues, sat down for an interview with Bloomberg *Businessweek*. It didn't go too well. For example, Mr. Paul talked about America running "a trillion-dollar deficit every year"; actually, the deficit is projected to be only $642 billion in 2013, and it's falling fast.

But the most interesting moment may have been when Mr. Paul was asked whom he would choose, ideally, to head the Federal Reserve and he suggested Milton Friedman – "he's not an Austrian, but he would be better than what we have." The interviewer then gently informed him that Friedman – who would have been 101 years old if he were still alive – is, in fact, dead, OK, said Mr. Paul, "Let's just go with dead, because then you probably really wouldn't have much of a functioning Federal Reserve."

Which suggests an interesting question: What ever happened to Friedman's role as a free-market icon? The answer to that question says a lot about what has happened to modern conservatism.

For Friedman, who used to be the ultimate avatar of conservative economics, has essentially disappeared from right-wing discourse. Oh, he gets name-checked now and then – but only for his political polemics, never for his monetary theories. Instead, Rand Paul turns to the "Austrian" view of thinkers like Friedrich Hayek – a view Friedman once described as an "atrophied and rigid caricature" – while Paul Ryan, the GOP's de facto intellectual leader, gets his monetary economics from Ayn Rand, or more precisely from fictional characters in *Atlas Shrugged.*

How did that happen? Friedman, it turns out, was too nuanced and realist a figure for the modern right, which doesn't do nuance and rejects reality, which has a well-known liberal bias.

One way to think about Friedman is that he was the man who tried to save free-market ideology from itself, by offering an answer to the obvious question: "If free markets are so great, how come we have depressions?'

Until he came along, the answer of most conservative economists was basically that depressions served a necessary function and should simply be endured. Hayed, for example, argued that "we may perhaps prevent a crisis by checking expansion in time," but "We can do nothing to get out of it before its natural end, once it has come." Such dismal answers drove many economists into the arms of John Maynard Keynes.

Friedman, however, gave a different answer. He was willing to give a little ground and admit that government action was indeed necessary to prevent depressions. But the required government action, he insisted, was of a very appropriately active Federal Reserve. In particular, he argued that the Fed could have prevented the Great Depression – with no need for new government programs – if only it had acted to save failing banks and pumped enough reserves into the banking system to prevent a sharp decline in the money supply.

This was, as I said, a move toward realism (although it looks wrong in the light of recent experience). But realism has no place in today's Republican party: both Mr. Paul and Mr. Ryan have furiously attacked Ben Bernanke for responding to the 2008 financial crisis by doing exactly what Friedman said the Fed should have done in the 1930s – advice he repeated to the Bank of Japan in 2000. "There is nothing more insidious that a country can do to its citizens," Mr. Ryan lectured Mr. Bernanke, "than debase its currency."

Oh, and while we're on the subject of debasing currencies: one of Friedman's most enduring pieces of straight economic analysis was his 1953 argument in favor of flexible exchange rates, in which he argued that countries finding themselves with excessively high wages and prices relative to their trading partners – like the nations of southern Europe today – would be better served by devaluing their currencies than by enduring years of high unemployment "until the deflation has run its sorry course." Again, there's no room for that kind or pragmatism in a party in which many members hanker for a return to the gold standard.

Now, I don't want to put Friedman on a pedestal. In fact, I'd argue that the experience of the past 15 years, first in Japan and now across the Western world, shows that Keynes was right and Friedman was wrong about the ability of unaided monetary policy to fight depressions. The truth is that we need a more activist government than Friedman was willing to countenance.

The point, however, is that modern conservatism has moved so far to the right that it no longer has room for even small concessions to reality. Friedman tried to save free-market conservatism from itself – but the ideologues who dominate the GOP are beyond saving.

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Our Comment. Increasingly, the available response has become changing the role of government, which is left with nowhere to go to cover its minimum needs. *W.K.*

repaid to Cash Call by its consumer borrowers first went to Deutsche Bank, which deducted "its interest and other earned fees." It is unclear what Deutsche Bank earned from this arrangement.

After the bank deducted what it was owed, the lawsuit said, the remaining money was divvied up among other investors in the credit facility, including CIGPF.

I asked representatives of Citigroup and Deutsche Bank why the banks would want to provide backing for companies making high-cost and possibly predatory loans. Renee Calabro at Deutsche Bank said only that the bank ended the relationship with Cash Call in 2007. That was before the Cash Call unit began operating on the Indian Reservation.

Danielle Romero-Apsilos, a Citibank spokeswoman, said the bank no longer lent to Cash Call. She declined to say why Citibank did business with the lender, noting that the bank does not comment on clients.

Adam J. Levitin, a professor of law at the Georgetown University Law School, said the fact that banks like Deutsche and Citi did any business with Cash Call highlights the problem of large financial institutions enabling questionable practices by smaller outfits.

"It looks as if the New York banks were using online payday lenders to circumvent New York's usury laws," Mr. Levitin said in an interview last week. "The banks provide the financing for payday lenders to make loans the banks think are too unseemly or risky – or illegal – to make themselves."

The funding arrangements used by Western Sky and Cash Call are reminiscent of what occurred in the recent mortgage mania. The most egregious predatory lending wasn't done, for the most part, by big national banks. It was done by smaller subprime mortgage companies like New Century, NovaStar and Fremont General, which made thousands upon thousands of loans.

But these companies wouldn't have been able to make even 100 loans had they not gotten the money they needed from the big Wall Street banks. The warehouse lines of credit provided by those banks, therefore, enabled the underwriting of billions of dollars in dubious mortgages. Without access to that money, most of the worst loans would not have been written. When Wall Street cut off the credit spigot, these companies folded almost overnight.

Another Wall Street-as-enabler example involved Bear Stearns, which financed boiler-room stockbrokers such as A.R. Baron, Stratton Oakmont and Sterling Foster in the 1990s. A case brought against Bear Stearns by the Securities and Exchange Commission and the Manhattan district attorney in 1996 said the bank helped A.R. Baron commit securities fraud by providing financing. Bear Stearns, which collapsed in the mortgage meltdown, settled the A.R. Baron suit without admitting or denying the accusations. It paid $38.5 million in fines and restitution.

Regulatory cases that crack down on questionable lenders are surely welcome. But dubious actors can't operate without the help of their financiers. Investigators should follow the money.

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Our Comment. Money itself, in fact, is to an increasing extent the villain, the scenario for this woeful set is set up by haring the actual gambling currency. This done and little good can ensue. *W.K.*

Wall Street's Secret "Economic Endgame": Making the World Safe for Banksters, Syria in the Cross-hairs

By Ellen Brown, Global Research, September 4, 2013

Iraq and Libya have been taken out, and Iran has been heavily boycotted. Syria is now in the cross-hairs. Why? Here is one overlooked scenario:

In an August 2013 article titled "Larry Summers and the Secret 'End-game' Memo," Greg Palast posted evidence of a secret late-1990s plan devised by Wall Street and US Treasury officials to open banking to the lucrative derivatives business. To pull this off required the relaxation of banking regulations not just in the US but globally. The vehicle to be used was the Financial Services Agreement of the World Trade Organization.

The "end-game" would require not just coercing support among WTO members but taking down those countries refusing to join. Some key countries remained holdouts from the WTO, including Iraq, Libya, Iran and Syria. In these Islamic countries, banks are largely state-owned; and "usury" – charging rent for the "use" of money – is viewed as a sin, if not a crime. That puts them at odds with the Western model of rent extraction by private middlemen. Publicly-owned banks are also a threat to the mushrooming derivatives business, since governments with their own banks don't need interest rate swaps, credit default swaps, or investment-grade ratings by private rating agencies in order to finance their operations.

Bank deregulation proceeded according to plan, and the government-sanctioned and nurtured derivatives business mushroomed into a $700-plus trillion pyramid scheme. Highly leveraged, completely unregulated, and dangerously unsustainable, it collapsed in 2008 when investment bank Lehman Brothers went bankrupt, taking a large segment of the global economy with it. The countries that managed to escape were those sustained by public banking models outside the international banking net.

These countries were not all Islamic. Forty percent of banks globally are publicly-owned. They are largely in the BRIC countries – Brazil, Russia, India and China – which house forty percent of the global population. They also escaped the 2008 credit crisis, but they at least made a show of conforming to Western banking rules. This was not true of the "rogue" Islamic nations, where usury was forbidden by Islamic teaching. To make the world safe for usury, these rogue states had to be silenced by other means. Having failed to succumb to economic coercion, they wound up in the crosshairs of the powerful US military.

Here is some data in support of that thesis.

The End-game Memo

In his August 22 article, Greg Palast posted a screenshot of a 1997 memo from Timothy Geithner, then Assistant Secretary of International Affairs under Robert Rubin, to Larry Summers, then Deputy Secretary of the Treasury. Geithner referred in the memo to the "end-game of WTO financial services negotiations" and urged Summers to touch base with the CEOs of Goldman Sachs, Merrill Lynch, Bank of America, Citibank, and Chase Manhattan Bank, for whom private phone numbers were provided.

The game then in play was the deregulation of banks so that they could gamble in the lucrative new field of derivatives. To pull this off required, first, the repeal of *Glass-Steagall*, the 1933 act that imposed a firewall between investment banking and depository banking in order to protect depositors' funds from bank gambling. But the plan required more than just deregulating US banks. Banking controls had to be eliminated globally so that money would not flee to nations with safer banking laws. The "endgame" was to achieve this global deregulation through an obscure addendum to the international trade agreements policed by the World Trade Organization, called the Financial Services Agreement. Palast wrote:

Until the bankers began their play, the WTO agreements dealt simply with trade in goods–that is, my cars for your bananas. The new rules ginned-up by Summers and the banks would force all nations to accept trade in "bads" – toxic assets like financial derivatives.

Until the bankers' re-draft of the FSA, each nation controlled and chartered the banks within their own borders. The new rules of the game would force every nation to open their markets to Citibank, JP Morgan and their derivatives "products."

And all 156 nations in the WTO would have to smash down their own Glass-Steagall divisions between commercial savings banks and the investment banks that gamble with derivatives.

The job of turning the FSA into the bankers' battering ram was given to Geithner, who was named Ambassador to the World Trade Organization.

WTO members were induced to sign the agreement by threatening their access to global markets if they refused; and they all did sign, except Brazil. Brazil was then threatened with an embargo; but its resistance paid off, since it alone among Western nations survived and thrived during the 2007-2009 crisis. As for the others:

The new FSA pulled the lid off the Pandora's box of worldwide derivatives trade. Among the notorious transactions legalized: Goldman Sachs (where Treasury Secretary Rubin had been Co-Chairman) worked a secret euro-derivatives swap with Greece which, ultimately, destroyed that nation. Ecuador, its own banking sector de-regulated and demolished, exploded into riots. Argentina had to sell off its oil companies (to the Spanish) and water systems (to Enron) while its teachers hunted for food in garbage cans. Then, Bankers Gone Wild in the Eurozone dove head-first into derivatives pools without knowing how to swim – and the continent is now being sold off in tiny, cheap pieces to Germany.

The Holdouts

That was the fate of countries in the WTO, but Palast did not discuss those that were not in that organization at all, including Iraq, Syria, Lebanon, Libya, Somalia, Sudan, and Iran. These seven countries were named by US General Wesley Clark (Ret.) in a 2007 *Democracy Now* interview as the new "rogue states" being targeted for take down after September 11, 2001. He said that about 10 days after 9-11, he was told by a general that the decision had been made to go to war with Iraq. Later, the same general said they planned to take out seven countries in five years: Iraq, Syria, Lebanon, Libya, Somalia, Sudan, and Iran.

What did these countries have in common? Besides being Islamic, they were not members either of the WTO or of the Bank for International Settlements (BIS). That left them outside the long regulatory arm of the central bankers' central bank in Switzerland. Other countries later identified as "rogue states" that were also not members of the BIS included North Korea, Cuba, and Afghanistan.

The body regulating banks today is called the Financial Stability Board (FSB), and it is housed in the BIS in Switzerland. In 2009, the heads of the G20 nations agreed to be bound by rules imposed by the FSB, ostensibly to prevent another global banking crisis. Its regulations are not merely advisory but are binding, and they can make or break not just banks but whole nations. This was first demonstrated in 1989, when the Basel I Accord raised capital requirements a mere 2%, from 6% to 8%. The result was to force a drastic reduction in lending by major Japanese banks, which were then the world's largest and most powerful creditors. They were undercapitalized, however, relative to other banks. The Japanese economy sank along with its banks and has yet to fully recover.

Among other game-changing regulations in play under the FSB are Basel III and the new bail-in rules. Basel III is slated to impose crippling capital requirements on public, cooperative and community banks, coercing their sale to large multinational banks.

The "bail-in" template was first tested in Cyprus and follows regulations imposed by the FSB in 2011. Too-big-to-fail banks are required to draft "living wills" setting forth how they will avoid insolvency in the absence of government bailouts. The FSB solution is to "bail in" creditors – including depositors – turning deposits into bank stock, effectively confiscating them.

The Public Bank Alternative

Countries laboring under the yoke of an extractive private banking system are being forced into "structural adjustment" and austerity by their unrepayable debt. But some countries have managed to escape. In the Middle East, these are the targeted "rogue nations." Their state-owned banks can issue the credit of the state on behalf of the state, leveraging public funds for public use without paying a massive tribute to private middlemen. Generous state funding allows them to provide generously for their people.

Like Libya and Iraq before they were embroiled in war, Syria provides free education at all levels and free medical care. It also provides subsidized housing for everyone (although some of this has been compromised by adoption of an IMF structural adjustment program in 2006 and the presence of about 2 million Iraqi and Palestinian refugees). Iran too provides nearly free higher education and primary health care.

Like Libya and Iraq before takedown, Syria and Iran have state-owned central banks that issue the national currency and are under government control. Whether these countries will succeed in maintaining their financial sovereignty in the face of enormous economic, political and military pressure remains to be seen.

As for Larry Summers, after proceeding through the revolving door to head Citigroup, he became State Senator Barack Obama's key campaign benefactor. He played a key role in the banking deregulation that brought on the current crisis, causing millions of US citizens to lose their jobs and their homes. Yet Summers is President Obama's first choice to replace Ben Bernanke as Federal Reserve Chairman. Why? He has proven he can manipulate the system to make the world safe for Wall Street; and in an upside-down world in which bankers rule, that seems to be the name of the game.

Ellen Brown is an attorney, president of the Public Banking Institute, and author of 12 books including the best-selling Web of Debt. In The Public Bank Solution*, her latest book, she explores successful public banking models historically and globally. Her websites are http://WebofDebt.com, http://PublicBankSolution.com and http://PublicBankingInstitute.org.*

PART 3 IN A SERIES

Fantopian Update

This is third part of an excerpt from Fantopian Update *by James Gibb Stuart, Ossian Publishers Ltd., www.ossianbooks.co.uk. Part 1 appeared in the June 2013 issue of* ER. *Part 2 appeared in July.*

Breaking the Monopoly

As a result of this and countless other representations, the Standing Committee for Altruistic Mondialism suffered a blow to its prestige and reputation from which it might never recover. Even while delegates and their ancillary staffs were flying in from far and wide, there were protests and demonstrations all across the hemisphere.

In the conference city itself, placards and their bearers blocked the entrances to many of the public buildings, including those where high-level meetings of the Great and the Good were about to be held. In retaliation, SCAM's special anti-riot police assailed the protesters with batons, water cannon and rubber bullets, till there were bruised and bleeding contestants from both sides cluttering up the casualty departments of all the local hospitals.

At open forums sponsored by the Committee in an effort to explain its policies to a wider public, unofficial delegates from the under-privileged nations snatched the microphones from the appointed speakers, and shouted, "SCAM…SCAM…SCAM… get out of our country!"

Fantopia was not without its share of the disturbances. In the City itself, on the very morning when the Advisory Panel reconvened, there was a nasty little incident involving no less a person than the Banker himself, as a consequence of which he had to be hurriedly dispatched to the ambulance room for some emergency first aid. When eventually he rejoined his colleagues, he was still visibly shaken. But while the others hastened to sympathize with him in his discomfiture, the Antiquarian merely snatched the opportunity to press home an advantage.

"You see what can happen when the mass of the population begins to realize what banking power does to their lives," he pointed out snidely. "I'd have thought that somewhere along the way, your people might just be willing to compromise a little, before the mob starts burning down their palaces and frizzling them up inside.

"It surely won't come to that," muttered the Banker anxiously. "These were just hooligans out there this morning, probably fascists and anarchists. I could see the hatred in their eyes."

"You should know," suggested the Antiquarian, still no more sympathetic. "They may even be the kind of people you yourselves have occasionally hired or used whenever you needed a distraction. However, I won't press the point. I feel it's more important to sort out this matter of public finance and seigniorage."

"Haven't we been over that several times already?" asked the Banker with a trace of weariness. "You all have a copy of the statement. The Government does indeed finance itself when it issues banknotes and coin."

"Yes, but nowadays it's simply not enough. Both the social fabric and the environment are suffering, and we're saddled with needless taxation, through this loss of Government funding. So we need something to put in its place. The Engraver's design notes showed us what could be done. What we need is a procedure whereby their effects can be consolidated."

"What are you suggesting?"

"That money is money, whether it comes in physical form or as an entry in a ledger account. When it's put to work, the functions are interchangeable. So the same Treasury credits which have been used in past years to finance the banknote issue can now be adapted to put the Government in funds for essential items of public expenditure."

"You don't learn, do you?" The Banker held up his hands in feigned exasperation, "You're talking about Government actually *creating its own credit*, yet it says in the Treasury document that any extension of this type of funding, beyond the public demand would be *vastly inflationary*."

"I know what its says – and I know why it says it. You bankers have had a *virtual monopoly* on the supply of credit for several hundred years, and every conspiratorial and coercive device has been brought into play to see that you maintain it – even to the extent that High Authority utters fallacious statements which are an insult to our intelligence. It wasn't inflationary when the Engraver put out his artistic design notes. Neither was it inflationary when the early kings minted their coins of gold and silver, and spent them into the community. *Inflation began when the banking houses set up shop, and started putting out loans at interest.*

"Now, do I have to broadcast all this on the microdot network, till the whole electronic media is buzzing with it? Do I have to demand access to every economics school and faculty in Fantopia, so that I can show them how for generations their won Treasury has been gulling and misleading them with balderdash which wouldn't stand up to a modicum of critical appraisal? Do I have to do that? And if I do, are you willing to accompany me around, and try to pick holes in my logic? That's presupposing that the students haven't already rumbled you, and come clamouring to give you another bash on the head, like the one you received this morning."

The Banker fingered the sticking-plaster on his forehead, and looked reflective for a moment. "You have a way of making it all seem very wicked and devious," he remarked soberly. "Yet how many of my colleagues have thought about it in that fashion? We've never had any difficulty in accepting the creation of *physical* money as a prerogative of the State, for that can be seen in any one year to be finite in quantity. But the creation of *credit* is another matter. Few people among the general population understand credit. Perhaps we don't always understand it ourselves."

"So is that a good enough reason for allowing the bankers to retain a virtual monopoly on the creation of money?" demanded the Antiquarian. "Aren't *all* monopolies regarded as restrictive and dangerous? Why, if I had a monopoly on the production of

> Despite all warnings, in 1913 President Wilson of the USA approved the *Federal Reserve Act* concentrating control of America's money in the few men who dominate this private corporation. A few years later he reflected:
>
> *I am a most unhappy man. I have unthinkingly ruined my country. A great industrial nation is controlled by its system of credit. Our system of credit is concentrated. The growth of the nation, therefore, and all our activities are in the hands of a few men. We have come to be one of the worst ruled, one of the most completely controlled and dominated Governments in the civilized world – no longer a Government by free opinion, no longer a Government by conviction and the vote of the majority, but a Government by the opinion and duress of a small group of dominant men.*

screw nails or cooking pots, a government delegation would be hastening to my door, insisting that I gave up this undemocratic privilege. Yet when it comes to finance – the nation's social, commercial and industrial lifeblood – few can be persuaded to lift their noses out of the sports pages just to think about it. And when I manage to interest my colleagues on this Panel, they are intimidated out of supporting me by a treat to their careers."

"Have I been speaking out of tune?" The Banker tried to look apologetic. "The fact is that some of the issues raised at a previous meeting bothered me so much, I felt obliged to consult my colleagues. Have you considered that there could be a treat to my own banking career in what you are proposing? A government raising its own credit! It's something none of us have encountered before. We might not know how to handle it."

Of course you'll know how to handle it. You're much too modest about your own professionalism – and in any case the last thing we would want to do is put the banks out of business. Think of it as an extension of the Engraver's design notes. Have they threatened to put you out of business?"

"We've learned to live with them," said the Banker. "And it's recognized that their influence can only be temporary. Sooner or later they will stop being issued, and then we can progressively retire them from circulation. But government credit! To us it seems like an open-ended proposition. Would anyone know how much money should be created?"

The Antiquarian adopted a more relaxed posture. "If these are honest concerns – and not just a backtracking to retain your monopoly power – then I'm sure we can work together. The ideal, in the quest to realize our full potential, is that *that which is socially desirable and physically possible should also be made financially possible.* Government funding created for that purpose would not be competing with bank credit raised commercially – and there would be no overhanging burden of debt."

"Hey, does this mean I could have my motorway extension without tolls?" asked the Politician, who had been listening intently.

"I guess so," ventured the Journalist. "And if the Banker is really going to go along with it, it means that I can write the story without being clobbered by my editor."

"We'll issue an agreed statement," submitted the Banker guardedly. "I shall have to see that it is vetted by my principals."

"And I shall have to see that the procedures are there for ensuring an adequate supply of Government finance in all the critical areas," declared the Antiquarian. "At the very least, it must do what the Engraver's design notes have done in the depressed communities. But it must also be used with a wider vision to relieve burdensome taxation, and allow our people to enjoy all the benefits of our expanding technology."

The Economist feared he was being left out of it. "Exogenous growth factors must primarily be reconciled with the underlying trends in the real economy," he announced suddenly. "We have to monitor the recurring variables and ensure that the trickle down of new investment is systematically integrated so as to minimize cost-push influences at the coal face. I may require to submit a minority report on this basis, highlighting my concerns with anything that may be seen as a departure from the well-tried principles of monetary orthodoxy."

"Shut up, you fool," hissed the Banker. "It wasn't you who got your head bashed!"

The Economist promptly subsided, feeling that he had been betrayed – he simply did not dare to contemplate all the economic theory he might have to unthink and unlearn, before he could once again achieve credibility in the eyes of his fellow men.

The Journalist and the Politician, having nothing to unlearn would go their separate ways knowing more about the mysteries of money than they had ever known before.

As for the Antiquarian, he was too old a hand to assume he could return to academia and his study of antiquity as soon as his submissions to the Panel had been filed. The bankers were slippery characters who in times past had simply taken back their monopoly powers whenever the public mood relaxed. Here as Elsewhere, the preservation of economic freedoms required eternal vigilance….

Words and Borrowings

After their initial submissions to Parliament, there had been a lull in the activities of the Advisory Panel, and *the Famous Five*, as they were becoming generally known, would have time to reflect upon their findings.

But when the Fantopian Chancellor's next budget revealed a large projected increase in government borrowing, and there was an unrestricted bank lending, the Antiquarian in particular could not be constrained from voicing his criticisms, and he ultimately succeeded in having the Panel reconvened.

"If there was ever a time for restoring Seigniorage, that time is now," he announced. "Already we have a dramatic upsurge in national indebtedness due to a revenue shortfall and high Government spending. Under the conventional remedies, this will eventually filter through into higher taxation, ever more borrowings, and repossessions in the property market as the economy takes a downturn – all because an entire society has been persuaded that it can't create any of its own money."

"Can't really blame the public for being confused, considering my own experience," said the Politician. "Had I not come into

From the British Government Official Abstract of Statistics for Years 1948-1996

At 1948 total money stock within the economy was shown as £2.8 billion, of which the seigniorage money (banknotes and coin) was £1.3 billion, or 46%.

By 1960 money stock had risen to £5.7 billion, of which the Government-issued cash money was £2.3 billion, or 40%.

Another twelve years later, in 1972, total cash and credit in circulation was given as £20.3 billion, of which the seigniorage-bearing proportion was down to 4.4 billion, or 21.7%.

After bank de-regulation in the 1980s, the situation tended to exacerbate more rapidly, and by George Orwell's Year of the Apocalypse, 1984, total money aggregates had shot up to £163,4 billion, of which at £12.6 billion only 7.7% was seigniorage created by the Government for spending on behalf of the community.

By the date of the final abstract in 1996, total money stock had ballooned to £586 billion, of which the seigniorage portion had halved again at £22.4 billion, or 3.8%. In that year alone, according to those official statistics, bank lending into the economy had increased by £39.9 billion, while notes and coin put into debt-free circulation by the Government had risen by only £1.1 billion, or 2.75%. Had the State been able to maintain even its 1972 percentage of seigniorage on the new issue money by the use of Treasury credits, as proposed by the Antiquarian for Fantopia, it would have put an additional £8 billion into the Exchequer for benefiting the common weal.

But that is largely hypothetical. Once the system of Treasury credits had been established, further issues would be made on the basis of national necessity, social need, and the availability of resources to fulfill them both.

politics – and never been involved in these problems – I'd have gone on believing, like everyone else, that money was something which came in pay packets, or emerged from under bank counters on demand. It's going to need an intensive degree of media coverage just to get people to start thinking differently. The kind of things they seem to remember is what that Treasury official said some years ago – that any attempt to increase the stock of *cash* money beyond the current demand would be *vastly inflationary*."

"Words! Words! Words!" exclaimed the Journalist. "The problem is to get at the meaning. I'll admit to being just as fogged as the rest of the population till I got involved with the Panel, and even now I'm still not so much wiser. I suppose we've never really got down to debating the subject – being inclined to leave all that technical and financial stuff to the experts." He looked warily around him. "By the way, where is our own precious boy from the Faculty this morning? I know it helps the defogging process to keep him out of the loop, but I'd rather have him where we can see him."

The Politician flashed a knowing look at both the others. "I believe he is keeping a low profile pending a decision about our Banker colleague, Seems there's been some complaints about the public image, and we may just get a different face on that side of the table."

"Well he'll need to be a smart boy to maneuver his way round the latest piece of doubletalk." The Journalist grinned mischievously. "It seems to be *printed* money that gets them sputtering into their coffee cup these days – and I see they've managed to omit the *inflation* word in the latest Treasury update."

"Yes, all a bit peculiar! The main idea, as I ultimately appreciated, was to restore a source of non-interest-bearing money by way of keeping a lid on the National Debt. I've never come to terms with the official answer, that any increase in the supply of *non-interest-bearing-money* would have to be borrowed from the Bank of Fantopia in the first place! And it wouldn't come cheap. Was that a threat or a promise?"

"It was anything you choose to make of it," the Antiquarian told him grimly… "Even in their official answers we're now getting signs of evasion and prevarication which are an insult to the intelligence. As I've already tried to explain, it's back to that *monopoly of credit* whose implications they feel must be concealed at all costs, even if it makes them look and sound ridiculous. We had obviously made some progress with our Banker colleague on that point, only to hear this morning that he's about to be replaced. So it could be back to business as usual, with the financial overlords – or the money creators… or whatever you chose to call them – seeking to retain control of their privileges."

Printing Money — Eroding Seigniorage

The Economist, having suffered at the hands of other members of the Panel, was now recovering his composure. A graduate of the School of Fantopian Macro-economics, generally portrayed as a complex discipline fit only for the rarefied intellects of economics faculties to appreciate and understand, he had opted to specialize in the computerized wizardry of monetary science – the theory rather than the practical application.

That – the practical application – had been the happier lot of engineering and contemporary industry, as a century of invention did away with drudgery, the oil lamp, the spinning jenny and the wooden plough. Only the *dismal* science of economics had failed to meet the challenge, as its nostrums dwelt eternally upon controlling wealth rather than expanding it, and looked backwards to the problems of scarcity on a planet which stood ready to give of its bounty. A fallacy had crept, almost unnoticed, into its thinking, loading the developed countries of the Fantopian world with massive national debts and annual servicing charges which inhibited wealth production and denied twentieth century man the benefits of his own enhanced technology.

Not that this would be of any immediate concern to the Economist on the Panel! That particular morning things were pleasantly reassuring. There was indeed a different Banker for the advisory group to contend with, the previous incumbent having been retired on grounds that his somewhat raffish appearance might belittle the important work on which they were engaged. The new appointee was a distinguished investment banker, well-known in Fantopian financial circles, but recently returned from a professional tour of duty in the Great Republic beyond the seas, where he acquired a reputation for creative solutions to erstwhile intractable problems.

At that first meeting he reacted with some impatience – even hostility – to minuted notes of previous sessions, and seized upon an early opportunity to assert himself.

"I suppose it was a mistake to let you gen'lemen deliberate for so long without an agreement on procedure and policy," he speculated. "Now we're getting conflicting signals from the Treasury, and even if only for our own reputations, we can't really afford to get it wrong. Apparently the message which went out ten years ago was that we couldn't print the extra money because that would be *inflationary*. So it's no help now for all of us that across the Pond they're printing money all the time. I'm quite convinced most of them will have clean-forgotten how many billions have been printed. But they tell me that so long as you don't stop, it's the best device they've ever had for keeping inflation in limbo."

"All right! Hold it there," insisted the Antiquarian when the laughter had subsided. "As our Journalist colleague has recently reminded us, it's sometimes words! words! words! without proper attention to their meaning. Let's just have a go – all in the same context – at *money, inflation* and *printing*. The boffins say you're *printing* money when you don't borrow at interest from the banking system. Then they say it will be *vastly inflationary* when they don't want you to find out for yourself that it isn't. And finally there's a long running contention – which no one ever questions or substantiates – that printing to finance public expenditure is by its very nature *inflationary*. But perhaps we should have the views of our expert."

All eyes were immediately trained on the Economist, who reddened perceptibly. "Oh dear," he mumbled, Diagnosing inflation was much easier when you could call it *too much money chasing too few goods*. But we can't do that any longer, can we, with automation solving the production crisis, and rival supermarkets beating down prices every weekend with sledge hammers? Sorry! I haven't got my laptop or my slide rule with me. Maybe if I had written notice."

"Uh-huh!" said the Antiquarian laconically. "Take all the time you need. Meanwhile it seems to me that where this particular subject is concerned, civil servants, ministers of the Crown, even Treasury officials themselves, are given to sweeping assertions which are neither proven nor debated. And the context in which they are used almost invariably relates to public funds created debt-free outside the private banking system. Yet as we've seen from the Treasury's own statistics, *fifty years ago nearly half the Fantopian annual money supply came into circulation by this method.* It didn't cause inflation then, so why should it cause inflation now?"

"Is there a quote I can have for the afternoon edition?" asked the Journalist.

"I'll have to consult with the party caucus," declared the Politician.

"I can't do a thing without my laptop," wailed the Economist.

"Pass!" said the Banker off-handedly. "I'm still the new boy. I'll wait till I get my feet properly under the table."

But after that initial meeting, the Antiquarian's approach to the New Banker would be correct, if guarded. He had sensed that this was a more highly powered individual than they had previously encountered, and that everything which passed between them – even by way of inference or innuendo – would now be noted and studied by Bank or Treasury officials for its bearing upon the matter at hand.

He had still to test *the new boy's* views upon the *credit monopoly* somewhat thoughtlessly conceded by an earlier Fantopian monarch in pursuit of a foreign war. But it had happened in an age when coin of the realm – subsequently banknotes and coin – were the recognized currency of the people. The Antiquarian himself believed that this introduction of *credit* money – or dematerialized *debt* money – into an economy based on symbols of intrinsic value, had not impinged unfavourably upon the nation's social amenity and physical infrastructure whilst the two sources of money issuance were broadly in balance.

It was only when sophisticated *credit* instruments came into being, and technology made it possible for cheques and balances to be processed electronically, that the public sector began to suffer. Personal and small-time commercial and financial transactions were now being settled on monthly credit by means of the new bank money, and *seigniorage*, which had effectively been the people's money – was simply eroding away.

It was something which, while it was happening, should have been noted by responsible elements within the Fantopian Treasury, and some corrective procedure set in progress. So far as he could see, nothing was being done. No warnings had been given. The nation was not expected to notice that a priceless source of debt-free public money would soon be a historical curiosity.

To be continued.

EDM 1515 —
Austin Mitchell MP: 2002

This house recognizing that the huge expansion of bank lending and the decline of the note issue as a proportion of available money has meant that the seigniorage return to government and the proportion of debt free money have both fallen heavily as proportions of GDP ensuring that credit has effectively been privatized, to the enormous benefit and profit of the banks and the increase in the debt burden on every individual,

urges the Government to redress the balance back to the people by instructing the Bank of England to create credit to be used exclusively to finance necessary public investment in schools, hospitals, transport, police, social services and defence so that the People's Purpose not for private enrichment and bank profit and to ensure that the heavy extra costs Private Partnership is massively reduced, while enabling more public sector investment to be embarked on to stimulate employment and economic growth,

and further urges the Treasury to review and report on the benefits and procedures of increasing the proportion of debt free money and of using the public credit to achieve the public purpose of high economic growth and full employment in an economy where both have suffered as the burden of debt, private and public, have increased.

Life in a Toxic Country

By Edward Wong, The New York Times, August 4, 2013

Beijing – I recently found myself hauling a bag filled with 12 boxes of milk powder and a cardboard container with two sets of air filters through San Francisco International Airport. I was heading to my home in Beijing at the end of a work trip, bringing back what have become two of the most sought-after items among parents here, and which were desperately needed in my own household.

China is the world's second largest economy, but the enormous costs of its growth is becoming apparent. Residents of its boom cities and a growing number of rural regions question the safety of the air they breathe, the drink and the food they eat. It is as if they were living in the Chinese equivalent of the Chernobyl or Fukushima nuclear disaster areas.

Before this assignment, I spent three and a half years reporting in Iraq, where foreign correspondents talked endlessly of the variety of ways in which one could die – car bombs, fire-fights, being abducted and then beheaded. I survived those threats, only now to find myself wondering: Is China doing irreparable harm to me and my family?

The environmental hazards here are legion, and the consequences might not manifest themselves for years or even decades. The risks are magnified for young children. Expatriate workers confronted with the decision of whether to live in Beijing weigh these factors, perhaps more than at any time in recent decades. But for now, a correspondent's job in China is still rewarding, and so I am toughing it out a while longer. So is my wife Tini, who has worked for more than a dozen years as a journalist in Asia and has studied Chinese. That means we are subjecting our 9-month-old daughter to the same risks that are striking fear into residents of cities across northern China, and grappling with the guilt of doing so.

Like them, we take precautions. Here in Beijing, high-tech air purifiers are as coveted as luxury sedans. Soon after I was posted to Beijing, in 2008, I set up a couple of European-made air purifiers used by previous correspondents. In early April, I took out one of the filters for the first time to check it: the layer of dust was so thick as moss on a forest floor. It nauseated me. I ordered two new sets of filters to be picked up in San Francisco; those products are much cheaper in the United States. My colleague Amy told me that during the Lunar New Year in February, a family friend brought over a 35-pound purifier from California for her husband, a Chinese-American who had been posted to the Beijing office of a large American technology company. Before getting the purifier, the husband had considered moving to Suzhou, a smaller city lined with canals, because he could no longer tolerate the pollution in Beijing.

Every morning, when I roll out of bed, I check an app on my cell phone that tells me the air quality index as measured by the United States Embassy, whose monitoring device is near my home. I want to see whether I need to turn on the purifiers and whether my wife and I can take our daughter outside.

Most days, she ends up housebound. Statistics released Wednesday by the ministry of Environmental Protection revealed that air quality in Beijing was deemed unsafe for more than 60 percent of the days in the first half of 2013. The national average was also dismal: it failed to meet the safety standard in nearly half the days of the same six-month period. The environment minister, Zhou Shengxian, told People's Daily, the Communist Party mouthpiece, that "China's air quality is grim, and the amount of pollution emissions far exceeds the environment's capacity."

I want my daughter to grow up appreciating the outdoors – sunsets and birdcalls and the smell of grass or the shape of clouds. That will be impossible if we live for many more years in Beijing. Even with my adult-size lungs. I limit my time outdoors. Though I ran on the banks of the Tigris River while in Baghdad and competed in two marathons before moving to China, I am hesitant about doing long-distance training for that kind of race here.

One thing I refuse to forgo is biking, even if it means greater exposure to hazardous air than commuting by car or subway. Given the horrendous traffic here – itself a major contributor to the pollution – I go to the office and restaurants and my courtyard home in Beijing's alleys on two wheels. This winter, I bought a British-made face mask after levels of fine particulate matter hit a record high in January in some areas – 40 times the exposure limit recommended by the World Health Organization. Foreigners call it the "airpocalypse," and a growing number are leaving China because of the smog or demanding hardship pay from their employers.

One American doctor here has procured a mask for his infant son. My mask of sleek black fabric and plastic knobs makes me look like an Asian Darth Vader. Better that, though, than losing years of my life.

This spring, new data released from the 2010 Global Burden of Disease Study, first published in *The Lancet*, revealed that China's outdoor pollution contributed to 1.2 million premature deaths in 2010, or 40 percent of the worldwide total. Another study, published by a prominent American science journal in July, found that northern Chinese live five fewer years on average than their southern counterparts because of the widespread use of coal in the north.

Cancer rates are surging in China and even the state news media are examining the relation between that and air pollution. Meanwhile, studies both in and outside of China have shown that children with prenatal exposure to high levels of air pollutants exhibit mental development signs of slower and of behavior disorders. Research from Los Angeles shows that children in polluted environments are also at risk for permanent lung damage.

In northern China, shades of gray distinguish one day from another. My wife and I sometimes choose our vacation destinations based on how much blue we can expect to see – thus a recent trip to Tuscany and the Amalfi Coast. I will never take such skies for granted again. "We still can't get over how blue the skies are here," the wife of an American diplomat told me over dinner in Georgetown more than half a year after the couple had moved back to Washington from Beijing.

Food safety is the other issue weighing on us. We have heard the stories of rat meat being passed off as lamb at hotpot restaurants, cooking oil being revealed as recycled and crops being grown in soil polluted by heavy metals or wastewater from factories. The food catastrophe that most frightened both Chinese and foreign parents was the milk scandal of 2008, in which six babies died and at least 300,000 children fell ill after drinking milk products tainted with melamine, a toxic chemical. Since then, many parents of newborns have gone to great lengths to bring into China foreign-made infant milk powder when it is needed to supplement breast-feeding.

Months after my trip back from San Francisco, my wife and I realized that our supply of formula was dwindling. We sent e-mails to friends we thought might be traveling soon to China, asking for volunteers to be "mules." Our friend Alexa flew in from New York this week with two boxes of powder. We have two other friends who promise to bring more this summer.

I recently spoke to a woman in Beijing, Zhao Jun, who pays Chinese students and housewives living in Europe to mail her cans of Cow & Gate, a British brand. "We're constantly worried, so we want to find a good brand from overseas with a long history," she said.

So widespread is the phenomenon of Chinese buying milk powder abroad that it has led to shortages in at least a half-dozen countries. Hong Kong has even cracked down on what customs officials call "syndicates" smuggling foreign-made powder to mainland China.

The anxieties do not end with milk. Our daughter has begun eating solids, so that means many more questions for us about how we source our food. Do we continue buying fruits and vegetables from the small shops in the alleys around our home? Do we buy from more expensive stores aimed at foreigners and wealthier Chinese? Do we buy from local organic farms? Last weekend, I went with a friend to visit a village home an hour's drive northeast of Beijing. He and his wife wanted to lease it as a weekend house, but I was more interested in gauging whether I could use the garden to grow our own vegetables. Some people I know here have done that.

"It's so difficult to protect yourself on the food issue," said Li Bo, a proponent of communal gardening and a board member of Friends of Nature, an environmental advocacy group. "I never thought I would become a vegetarian. Then in 2011, I said enough of meat, after so many examples of wrongdoing in animal husbandry."

Each day that passes in Beijing makes it harder to discern the fine line between paranoia and precaution. Six years ago, when I was back in my hometown Alexandria, VA, to pack for my move to China, my mother handed me several tubes of toothpaste. She had read stories that summer of toxic toothpaste made in China. I felt as if I was going off to college for my freshman year all over again. I put the tubes back in my parents' bathroom. When I go home these days, my mother still on occasion gives me toothpaste to bring back to Beijing, and I no longer hesitate to pack it in my bag.

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Our Comment. Is our economy depending upon a pre-prepared version of what goes on, captured by a prepared canned version of what passes for free readings of engineering data presented as the purest of science? There is ever increasing reason for believing so. We should be borrowing what the Chinese themselves classify as science and that avoids adapting our use of what they prove to be scientific for their own engineering needs. *W.K.*

Appeal *from page 1*

if he were the trial judge, he would decide them against the plaintiffs…which is not his function on a motion to strike.

We have therefore appealed, this lilting decision, which is perversely circular in its ignoring of the law and the crux of the issue(s) it decides without jurisdiction to do so.

How Racial Politics have Changed Since the March on Washington: A Different Kind of Division

By Ross Douthat, The New York Times, August 25, 2013

Three months before the 1963 March on Washington, whose 50th anniversary falls this week, officials in Birmingham, Ala., opened fire hoses and loosed dogs on civil rights protesters. Two months before the march, the civil rights organizer Medgar Evers was murdered outside his home in Jackson, Miss. And a few weeks after the Rev. Dr. Martin Luther King Jr.'s "I have Dream Speech" echoed down the Washington Mall, a bomb ripped open Birmingham's 16th Street Baptist Church, killing four little girls.

Fifty years later, race is still in the headlines; indeed, the "postracial" presidency of Barack Obama has (predictably) given us more race-related controversy than the last two administrations combined. Some of these debates are essentially trivial, churned up by a "no, *you're* the racist" grievance factory that runs day and night on cable news. But others – on voting rights, affirmative action, stop-and-frisk, etc. – are serious and weighty whatever side you take.

So America was divided by race in 1963 and it is divided by race today. But it is not divided in anything like the same way. And the case for optimism about racial polarization starts with what the fire hoses and bombs of '63 signify about the difference between the civil rights era and our own.

Then, the major issue facing black America was entirely zero sum: for Dr. King to win, Bull Connor had to lose. There was no potential common ground so long as segregation lasted. Jim Crow had to perish outright for African-Americans to move forward as Americans. And their white supremacist oppressors knew it, which is why they turned to state-sponsored, violence and state-sanctioned terrorism to defend their system and way of life.

Today our polarized politics may encourage a zero-sum attitude, but the underlying realities do not. George Zimmerman is not a half-Hispanic Byron De La Beckwith. Voter ID laws are not Jim Crow come again. And the tread of white identity politics running through Obama-era conservatism is just that – a sense of resentment and grievance, not a supremacist ideology reborn.

The interests of white and black Americans do not always align, any more than the interests of Ohioans and Californians, or senior citizens and younger Americans, or the college-educated and the working class. But there is vastly more room to work through major problems together than there was in the Alabama and Mississippi of 1963.

How so? Well, start with that most reliably controversial of race-related issues: criminal justice, where America's drug laws and incarceration rates are often cited by civil rights activists as an example of how structural racism threatens to create a "new Jim Crow."

Except that while the actual Jim Crow invariably pitted white, Southern, conservative politicians against civil rights activists, today criminal justice is a place where many conservative politicians have embraced activists; priorities instead. Eric Holder's recent proposals for sentencing reform, for instance, followed a path blazed by Rick Perry in Texas a decade ago. In the Senate, the conservative Republican with the closest ties to the states-rights ideology that once justified segregation, Rand Paul, is also the loudest voice in support of reconsidering the War on Drugs.

Likewise in education policy, another longstanding racial flash point. There the older battles over integration and busing have mostly given way to a debate about competition and teaching standards in which conservative states are often laboratories for reform. From Chris Christie's New Jersey to Perry's Texas (which does a better job educating minority students than many liberal states), the politics of education increasingly produces cross-racial alliances and intraparty debates that look nothing like the civil-rights era divides.

Meanwhile, in the broader socioeconomic landscape, the big story of the last generation in American life is that problems that were seen as specifically "black problems" in the 1970s and 1980s – persistent unemployment, especially for men, family breakdown and social disarray – are now problems affecting the pan-ethnic working class.

Neither party currently has an agenda that's well tailored to this challenge. But because the problems themselves increasingly cut across racial lines, a successful political response from either party would probably tend to reduce racial polarization – winning more minority votes for the Republicans or more working-class whites for the Democrats – and encourage socioeconomic solidarity instead.

Obviously, no such agenda could emerge, and the Obama race wars could continue indefinitely – with the Republican Party as a vehicle for white identity politics and the Democratic Party as a vehicle for ethnic patronage, with voter ID laws and affirmative action as permanent flash points, and with less racially polarizing issues shunted to the side.

But unlike the racial conflict of 50 years ago, there is nothing necessary about this kind of division. And this week of all weeks, it's fitting to have a different dream.

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Our Comment. Our dreams are getting too big and hence, too bad, to force out the available stumbling blocks. *W.K.*