

# COMER

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## CONTENTS

- 3 Why Bad Beliefs Don't Die
- 6 Open Letter to Hassan Yussuff
- 7 Scientists Fight to Roll Back Darkness
- 8 Oliver Promises Sweeping Tax Breaks
- 9 Wynne Calls on Feds to Quadruple Infrastructure Funds
- 10 Re-democratizing the Economy — Bien Congress 2014
- 12 Why Are Stock Markets So Volatile? A Serious Depression is Pending as a Result of Austerity
- 14 Towards a Positive Economics
- 16 The New World of Retirement: Security for the Rich, Risk for Everyone Else
- 17 A Practical Utopian's Guide to the Coming Collapse

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## Always Fighting for Long Shots

*By Sean Fine, The Globe and Mail, August 23, 2014*

Wherever I've gone this year in Canada, lawyers are talking about Rocco Galati.

What's Rocco going to do next? If the Prime Minister tries any funny business with the courts, Rocco will stop him. Rocco won't sit by....

It's as if Mr. Galati, the Toronto lawyer who brought grief to the Conservative government, has been designated the Unofficial Opposition. He's the first person ever to challenge a Prime Minister's appointment of a Supreme Court judge. And he won. All the resources Stephen Harper and his government could bring to bear, and this upstart spending \$42,000 of his own money won the case. And he's not done.

Canada's Unofficial Opposition is eating a tuna salad, washed down with red wine (a Negroamaro, an earthy wine from Friuli), at an outdoor patio on College Street in Toronto's Little Italy, just down the street from the three-storey house he has turned into an office for his small law firm.

"The government never thought someone named Galati could defeat it," he says.

"They were so arrogant in assuming that an argument from me couldn't win or shouldn't win, because we live in a tribal culture. You're only an expert if you're Anglo or francophone.... That's been made clear to me for 26 years. I'd put my win ratio in impossible cases up against anybody's, yet I'm still ridiculed when I bring a challenge. How does that work?"

But the real question is — why him? Why not someone else in this country of lawyers?

Mr. Galati and I have a lot to talk about. We have so much to talk about that the batteries in my tape recorder run out of juice. Mr. Galati, an amiable provocateur, goes across the street to buy me new ones.

Snazzy in a beige linen suit with a striped shirt and grey-patterned tie (only the open-toed sandals hint at non-conformity), the 55-year-old comes from a world far from Ottawa's Wellington Street, where the Supreme Court and the Parliament buildings sit in a majestic row. He and his 12 siblings were born in Calabria, in southern Italy. Five of them died in early childhood.

His father, a farmer, was court martialled twice and interned because he didn't want to fight in Mussolini's army.

"He always told me the fascists don't come marching in overnight. It's a slow march."

His father came to Toronto in 1965, found work in construction, and brought the family over a year later. Only three of the children received any formal education, Mr. Galati says. But that includes a brother who, though he had only two years of public schooling, went to the University of Toronto as a mature student and became a lawyer.

"Because of my sense of history, I don't like the idea of injustice. Growing up in Toronto was no picnic in the sixties and seventies. It was a very brutal, racist environment. The police were enforcing wartime regulations. On College Street, up until Trudeau rewrote the loitering laws, more than two Italian males could not congregate. They'd get billy-sticked home by the police."

Although he is Catholic, he says his family was Jewish, on both sides, at one time. (When I first met him at his office, he showed me his late grandfather's Argentine identification document from 1918, framed on the wall. It has a Star of David on it.) He says most people don't realize how many Jews (and Muslims) used to live in Calabria, or about the violence used to kill or convert them in previous centuries. It's a recurrent

*Continued on page 2*



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Long Shots *from page 1*

theme of his – the loss of historical memory.

A fighter for long shots, he was a long shot himself. He says he was once assessed in school as intellectually handicapped, and it was only through the efforts of an English teacher at his technical high school, who recognized his perceptiveness in Shakespeare studies, that he was able to go to an academic school for Grade 13.

Bob Dylan saved him from life as an electroplater. He quit his job to move to Montreal to learn to read the poet Arthur Rimbaud in French; he came to Rimbaud knowing that he had influenced Dylan.

"He was not very popular in his early years. That was to my liking – this guy stands on what he believes."

Once again, his future (and Canada's) was altered by the kindness of a teacher. He enrolled in non-credit courses in poetry at McGill University, and a teacher told him he'd written a publishable poem, and saw to it that McGill accepted him as a fulltime student. Despite an A average, journalism schools and teachers' colleges rejected him – he still wonders if it was because of his name.

At York University's Osgoode Hall Law School, in Toronto, he learned that his love of Bob Dylan stood him in good stead: Constitutional law was like poetry.

"I had a professor at Osgoode, a very bright man, Graham Parker, who I took courses on statutory interpretation from. He said to me, 'Do you read or write poetry?' I said, 'Yeah, I do both.' He said, 'I can tell. Reading statutes is as difficult as reading poetry.'"

He started his law career by working for – of all places – the federal Justice Department. "It seemed the best place for me to get to court frequently." But he owed \$122,000 in bank and student loans, and the interest rate was 22 percent; his salary was \$29,000. If not for his financial need, "I might have stayed, because I enjoyed the kind of law they did."

On September 30 last year, Prime Minister Stephen Harper announced his choice for a Quebec vacancy on the Supreme Court: Justice Marc Nadon of the Federal Court of Appeal. It was an unusual choice in several respects: He was semi-retired; he was a maritime law specialist (hardly a big need on the court); and he was little-known.

The Canadian legal community raised hardly a peep.

But in early October, Mr. Galati stepped in. He filed a lawsuit in Federal Court, say-

ing the choice was illegal under the *Supreme Court Act*, which governs appointments. Federal Court judges can't be appointed for any of the three spots reserved for Quebec judges, he said.

There was nothing personal in it, he says.

"In fact, I like Justice Nadon. I was tormented by bringing the challenge. I thought he was a good judge. I got along with him. That's not the point. If it was my father, I would have brought the challenge."

Justice Nadon immediately stepped aside, pending a resolution of Mr. Galati's lawsuit. Then, Quebec's National Assembly passed a unanimous resolution opposing the appointment. Prime Minister Harper then asked the Supreme Court to rule on whether it was legal.

So why didn't anyone else challenge the appointment? "Look," Mr. Galati says, "there are about 300,000 lawyers in Canada. I think 299,995 think they're all going to the Supreme Court and they don't want to blow their chances. They're worried about their reputation."

Few thought he had a chance to win. "Most people in the legal establishment thought his case was frivolous," University of Montreal law professor Paul Daly says.

Fighting the odds is nothing new for Mr. Galati. Early in his career he argued 27 separate times in Federal Court that government officials need to provide reasons for their decisions. Finally, in *Baker v. Canada*, a 1999 deportation case on which he was co-counsel with Roger Rowe, representing a Jamaican immigrant mother, he won his point at the Supreme Court.

"It was epoch-making," Prof. Daly said. "Your liberty and sometimes your life are really in the hands of a government official. Because of *Baker*, the government has to give reasons for finding against you."

In the Nadon case, he had a secret advantage: he knew the *Supreme Court Act* inside and out from another improbable case.

Four years ago, he learned that a judge hearing a constitutional challenge of his was 77 – two years past retirement age – and that the chief justice could appoint a retired "deputy judge" if he needed someone to hear a case. The Federal Court had followed the practice since its creation in 1970, and a predecessor court since 1927. In 80 years, no one had challenged the practice. Mr. Galati did, in *Felipa v. Canada*, and won.

We are having a good laugh. In an earlier story, I somehow managed to slip his quote about the Harper government enjoying

*Continued on page 5*

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# Why Bad Beliefs Don't Die

By Gregory W. Lester, *Skeptical Inquirer*,  
Volume 24.6, November/December 2000

*Because beliefs are designed to enhance our ability to survive, they are biologically designed to be strongly resistant to change. To change beliefs, skeptics must address the brain's "survival" issues of meanings and implications in addition to discussing their data.*

Because a basic tenet of both skeptical thinking and scientific inquiry is that beliefs can be wrong, it is often confusing and irritating to scientists and skeptics that so many people's beliefs do not change in the face of disconfirming evidence. How, we wonder, are people able to hold beliefs that contradict the data?

This puzzlement can produce an unfortunate tendency on the part of skeptical thinkers to demean and belittle people whose beliefs don't change in response to evidence. They can be seen as inferior, stupid, or crazy. This attitude is born of skeptics' failure to understand the biological purpose of beliefs and the neurological necessity for them to be resilient and stubbornly resistant to change. The truth is that for all their rigorous thinking, many skeptics do not have a clear or rational understanding of what beliefs are and why even faulty ones don't die easily. Understanding the biological purpose of beliefs can help skeptics to be far more effective in challenging irrational beliefs and communicating scientific conclusions.

## Biology and Survival

Our brain's primary purpose is to keep us alive. It certainly does more than that, but survival is always its fundamental purpose and always comes first. If we are injured to the point where our bodies only have enough energy to support consciousness or a heartbeat but not both, the brain has no problem choosing – it puts us into a coma (survival before consciousness), rather than an alert death-spiral (consciousness before survival).

Because every brain activity serves a fundamental survival purpose, the only way to accurately understand any brain function is to examine its value as a tool for survival. Even the difficulty of successfully treating such behavioral disorders as obesity and addiction can only be understood by examining their relationship to survival. Any reduction in caloric intake or in the availability of a substance to which an individual

is addicted is always perceived by the brain as a threat to survival. As a result the brain powerfully defends the overeating or the substance abuse, producing the familiar lying, sneaking, denying, rationalizing, and justifying commonly exhibited by individuals suffering from such disorders.

## Senses and Beliefs

One of the brain's primary tools for ensuring survival is our senses. Obviously, we must be able to accurately perceive danger in order to take action designed to keep us safe. In order to survive we need to be able to see the lion charging us as we emerge from our cave or hear the intruder breaking into our house in the middle of the night.

Senses alone, however, are inadequate as effective detectors of danger because they are severely limited in both range and scope. We can have direct sensory contact with only a small portion of the world at any one time.

The brain considers this to be a significant problem because even normal, everyday living requires that we constantly move in and out of the range of our perceptions of the world as it is *right now*. Entering into territory we have not previously seen or heard puts us in the dangerous position of having no advance warning of potential dangers. If I walk into an unfamiliar building in a dangerous part of town my survival probabilities diminish because I have no way of knowing whether the roof is ready to collapse or a gunman is standing inside the doorway.

Enter beliefs. "Belief" is the name we give to the survival tool of the brain that is designed to augment and enhance the danger-identification function of our senses. Beliefs extend the range of our senses so that we can better detect danger and thus improve our chances of survival as we move into and out of unfamiliar territory. Beliefs, in essence, serve as our brain's "long-range danger detectors."

Functionally, our brains treat beliefs as internal "maps" of those parts of the world with which we do not have immediate sensory contact. As I sit in my living room I cannot see my car. Although I parked it in my driveway some time ago, using only immediate sensory data I do not know if it is still there. As a result, at this moment sensory data is of very little use to me regarding

my car. In order to find my car with any degree of efficiency my brain must ignore the current sensory data (which, if relied on in a strictly literal sense, not only fails to help me in locating my car but actually indicates that it no longer exists) and turn instead to its internal map of the location of my car. This is my *belief* that my car is still in my driveway where I left it. By referring to my belief rather than to sensory data, my brain can "know" something about the world with which I have no immediate sensory contact. This "extends" my brain's knowledge of and contact with the world.

The ability of belief to extend contact with the world beyond the range of our immediate senses substantially improves our ability to survive. A caveman has a much greater ability to stay alive if he is able to maintain a belief that dangers exist in the jungle even when his sensory data indicate no immediate threat. A police officer will be substantially more safe if he or she can continue to believe that someone stopped for a traffic violation could be an armed psychopath with an impulse to kill even though they present a seemingly innocuous appearance.

## Beyond the Sensory

Because beliefs do not require immediate sensory data to be able to feed valuable survival information to the brain, they have the additional survival function of providing information about the realm of life that does not deal directly with sensory entities. This is the area of abstractions and principles that involves such things as "reasons," "causes," and "meanings." I cannot hear or see the "reason" called a "low pressure zone" that makes a thunderstorm rain on my parade, so my ability to *believe* that low pressure is the reason assists me. If I were to rely strictly on my senses to determine the cause of the storm I could not tell why it occurred. For all I know it was dragged in by invisible flying gremlins that I need to shoot with my shotgun if I want to clear away the clouds. Therefore my brain's reliance on my "belief" in the reason called "low pressure," rather than on sensory data (or, as in the case of my car, my lack of it) assists in my survival: I avoid an experience of incarceration with myriad dangerous characters following my arrest for shooting into the air at those pesky little gremlins.

## The Resilience of Beliefs

Because senses and beliefs are both tools for survival and have evolved to augment one another, our brain considers them to be separate but equally important purveyors of survival information. The loss of either one endangers us. Without our senses we could not know about the world within our perceptual realm. Without our beliefs we could not know about the world outside our senses or about meanings, reasons, or causes.

This means that beliefs are designed to operate independent of sensory data. In fact, *the whole survival value of beliefs is based on their ability to persist in the face of contradictory evidence*. Beliefs are not *supposed* to change easily or simply in response to disconfirming evidence. If they did, they would be virtually useless as tools for survival. Our caveman would not last long if his belief in potential dangers in the jungle evaporated every time his sensory information told him there was no immediate threat. A police officer unable to believe in the possibility of a killer lurking behind a harmless appearance could easily get hurt or killed.

As far as our brain is concerned, there is absolutely no need for data and belief to agree. They have each evolved to augment and supplement one another by contacting different sections of the world. They are designed to be able to disagree. This is why scientists can believe in God and people who are generally quite reasonable and rational can believe in things for which there is no credible data such as flying saucers, telepathy, and psychokinesis.

When data and belief come into conflict, the brain does not automatically give preference to data. This is why beliefs – even bad beliefs, irrational beliefs, silly beliefs, or crazy beliefs – often don't die in the face of contradictory evidence. The brain doesn't care whether or not the belief matches the data. It cares whether the belief is helpful for survival. Period. So while the scientific, rational part of our brains may think that data should supersede contradictory beliefs, on a more fundamental level of importance our brain has no such bias. It is extremely reticent to jettison its beliefs. Like an old soldier with an old gun who does not quite trust that the war is really over, the brain often refuses to surrender its weapon even though the data say it should.

## "Inconsequential" Beliefs

Even beliefs that do not seem clearly or directly connected to survival (such as our caveman's ability to believe in potential dan-

gers) are still closely connected to survival. This is because beliefs do not occur individually or in a vacuum. They are related to one another in a tightly interlocking system that creates the brain's fundamental view of the nature of the world. It is this system that the brain relies on in order to experience consistency, control, cohesion, and safety in the world. It must maintain this system intact in order to feel that survival is being successfully accomplished.

This means that even seemingly small, inconsequential beliefs can be as integral to the brain's experience of survival as are beliefs that are "obviously" connected to survival. Thus, trying to change *any* belief, no matter how small or silly it may seem, can produce ripple effects through the entire system and ultimately threaten the brain's experience of survival. This is why people are so often driven to defend even seemingly small or tangential beliefs. A creationist cannot tolerate believing in the accuracy of data indicating the reality of evolution not because of the accuracy or inaccuracy of the data itself, but because changing even one belief related to matters of the Bible and the nature of creation will crack an entire system of belief, a fundamental worldview and, ultimately, their brain's experience of survival.

## Implications for Skeptics

Skeptical thinkers must realize that because of the *survival* value of beliefs, disconfirming evidence will rarely, if ever, be sufficient to change beliefs, even in "otherwise intelligent" people. In order to effectively change beliefs skeptics must attend to their survival value, not just their *data-accuracy* value. This involves several elements.

First, skeptics must not expect beliefs to change simply as the result of data or assuming that people are stupid because their beliefs don't change. They must avoid becoming critical or demeaning in response to the resilience of beliefs. People are not necessarily idiots just because their beliefs don't yield to new information. Data is always necessary, but it is rarely sufficient.

Second, skeptics must learn to always discuss not just the specific topic addressed by the data, but also the *implications that changing the related beliefs will have for the fundamental worldview and belief system of the affected individuals*. Unfortunately, addressing belief systems is a much more complicated and daunting task than simply presenting contradictory evidence. Skeptics must discuss the meaning of their data in

the face of the brain's need to maintain its belief system in order to maintain a sense of wholeness, consistency, and control in life. Skeptics must become adept at discussing issues of fundamental philosophies and the existential anxiety that is stirred up any time beliefs are challenged. The task is every bit as much philosophical and psychological as it is scientific and data-based.

Third, and perhaps most important, skeptics must always appreciate how hard it is for people to have their beliefs challenged. It is, quite literally, a threat to their brain's sense of survival. It is entirely normal for people to be defensive in such situations. The brain feels it is fighting for its life. It is unfortunate that this can produce behavior that is provocative, hostile, and even vicious, but it is understandable as well.

The lesson for skeptics is to understand that people are generally not intending to be mean, contrary, harsh, or stupid when they are challenged. It's a fight for survival. The only effective way to deal with this type of defensiveness is to de-escalate the fighting rather than inflame it. Becoming sarcastic or demeaning simply gives the other person's defenses a foothold to engage in a tit-for-tat exchange that justifies their feelings of being threatened ("Of course we fight the skeptics – look what uncaring, hostile jerks they are!") rather than a continued focus on the truth.

Skeptics will only win the war for rational beliefs by continuing, even in the face of defensive responses from others, to use behavior that is unfailingly dignified and tactful and that communicates respect and wisdom. For the data to speak loudly, skeptics must always refrain from screaming.

Finally, it should be comforting to all skeptics to remember that the truly amazing part of all of this is not that so few beliefs change or that people can be so irrational, but that anyone's beliefs ever change at all. Skeptics' ability to alter their own beliefs in response to data is a true gift; a unique, powerful, and precious ability. It is genuinely a "higher brain function" in that it goes against some of the most natural and fundamental biological urges.

Skeptics must appreciate the power and, truly, the dangerousness that this ability bestows upon them. They have in their possession a skill that can be frightening, life-changing, and capable of inducing pain. In turning this ability on others it should be used carefully and wisely. Challenging beliefs must always be done with care and compassion.

Skeptics must remember to always keep their eye on the goal. They must see the long view. They must attempt to win the war for rational beliefs, not to engage in a fight to the death over any one particular battle with any one particular individual

or any one particular belief. Not only must skeptics' methods and data be clean, direct, and unbiased, their demeanor and behavior must be as well.

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Long Shots from page 2

“urinating on the Constitution” past my editors. “I say that all the time,” he tells me. “You’re the first guy who put that in.”

It is hard to say what is more fun to talk to Mr. Galati about – the personal or political. He’s what my mother would call a character. His cellphone voice mail is a Miranda warning: “If you’re anyone else except Miranda, please do not leave a message.” Miranda is his daughter who is away at university in the United States. (Mr. Galati also has twin four-year-old boys from his second marriage; Miranda is from his first.)

Few outside of legal circles realize the lasting importance of the Nadon case. The Supreme Court gave itself the protection of the Constitution; from here on in, any changes to its composition will require provincial consent. On Mr. Galati’s back, the court insulated itself from tampering.

Although he calls that “a big win,” he still describes the ruling as a disappointment. “The way they politically split it is inconsistent and illogical.” (The court said Federal Court judges can be named to the six non-Quebec spots on the Supreme Court.)

It’s news to him that lawyers everywhere are talking about him. “That’s strange,” he says.

The case hasn’t changed his life, “except taking away time from my family and from my billable hours.”

He makes his money from doing tax law, not constitutional cases.

And now he has launched a challenge to another of the Harper government’s judicial appointments – that of Federal Court of Appeal Justice Robert Mainville to the Quebec Court of Appeal, and any subsequent appointment to the Supreme Court.

“The other thing I hear – ‘You won the Nadon reference, but that’s because nobody likes Nadon; everyone likes Mainville.’ What kind of kindergarten debate is that, really? That’s just stupid. Liking or not liking has nothing to do with it.”

Rain has begun to fall, more on me than on him. Mr. Galati is in fine form, still going strong after two hours, the tuna long since finished. It is a good thing he picked up those batteries.

“I hear, ‘Mr. Justice Mainville wanted a

transfer to Montreal for personal reasons.’ I sympathize.

Are they going to bend the Constitution for me? Should we bend the Constitution for any individual? Well, no. If we do, we’re back into l’état, c’est moi. We’re back to the divine right of kings, Louis XIV and the Versailles culture.

“This is why stacking of the courts is a very serious concern.

There’s only one difference between a dictatorship and a constitutional monarchy: a fair and independent judiciary standing between the authority of the state and the rights of the citizen.”

I tell him I need to pay him for the batteries so no one can accuse me of anything. I give him \$5.

“Yeah, okay,” he says. “I’m going to give you \$1.50 back because as a lawyer I won’t be bribed either.” And he does.

### In His Own Words

*Rocco Galati on the business of law:*

“If I go broke, I’m no good to anybody. A lot of good lawyers who do a lot of good work lose sight of the business side and they go under.”

*On the source of his sharp tongue:*

“It comes from my mother.

She had a great, quick wit and was very quick with a metaphor. Everything that came out of her mouth was original and often funny.”

*On his previous work representing suspected terrorists:* “I saw it as the civil rights issue of the day.”

*On his chances of winning his challenge, filed in Federal Court, to the appointment of Federal Court of Appeal Justice Robert Mainville to the Quebec Court of Appeal:*

“The Federal Court, because they’re human beings, is going to be resistant to the idea because he’s one of their own.

You know that beautiful line in O Brother, Where Art Thou?, where the evil sheriff is the personification of the devil, and says, ‘The law is a human institution?’ Therein lies the historic, ageless tension between the rule of law and human capriciousness and tribal impulses.”

On whether the Supreme Court will grant leave to appeal, if the Mainville case

goes that far: “What’s in it for the Supreme Court at this point? Nothing, they’ve constitutionalized their status. Will they care about one judge? Maybe not.

There are a lot of variables that have nothing to do with the law, but with human frailties and dysfunction and a non-adherence to the idea of law.”

*Rocco Galati, constitutional lawyer*

### Our Comment

In the August 5 issue of the *Canadian Lawyers’ Magazine*, Rocco Galati was cited, in the category of “Changemakers,” as second only to the Supreme Court Justice who ruled in his favour in the Nadon case.

Surely we have never needed an “Unofficial Opposition,” in both the legal and the political arenas, more than we do today!

His father’s observation that, “the fascists don’t come marching in overnight. It’s a slow march – it reminds me of an incident during the teachers’ strike. At a strike captains’ meeting where we were comparing notes on a recent lobbying expedition to Ottawa, some of us were expressing concerns about the state of democracy in Canada as we had perceived it through that experience.

Someone made a reference to the rise of Nazism in Germany, whereupon another teacher scoffed at the comparison. A man from Germany responded, in anger and with passion, “Who do you think you are, that it could not happen to you?!”

I am ever more frequently reminded of that outburst.

Rocco’s life story makes me think of what we have to lose in shutting out immigrants and in bashing teachers and shortchanging education.

“What’s Rocco going to do next?” Well, his is a formidable agenda. In addition to other weighty ongoing cases, he has requested that COMER’s next hearing be scheduled for some time in January, February or March.

Now that the text is accessible, he intends to finish reading the CETA (Comprehensive Economic and Trade Agreement), before the end of November, to uncover its implications for our lawsuit.

*We have a lot going for us!*

*Élan*

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# Open Letter to Hassan Yussuff

By George Crowell

Congratulations on your recent election as President of the Canadian Labour Congress! We who are Canadian social activists both inside and outside the CLC greatly appreciate your long-time commitment not only to wage and benefit enhancements for workers, but also to social justice and environmental protection for all of us, nationally and globally. At present we are in crisis. Despite heroic efforts by many social activists, for many years we have been losing ground to the corporate agenda. This letter proposes a strategy by which the CLC, with its 3.3 million members under your leadership, could unite Canada's many social activists into a single movement to reverse this disheartening trend.

Here is our situation, as the *Making Waves* document points out. In Canada there are hundreds of organizations – large and small, local, regional, and national – working valiantly on behalf of the 99% for various aspects of human and environmental welfare. We have the advantage that many highly committed people are working for the needed social changes which are supported by a large majority of Canadians. They achieve occasional victories, but mostly they are fighting losing defensive battles against exploitive initiatives by profit-oriented corporations, and against the Harper government and its lower-level government allies. Our efforts are defensive not only in the sense that they react to corporate initiatives, but also in the sense that mostly they are attempting to prevent loss of benefits we have previously enjoyed. Our many efforts are also largely separated from one another, as we take on limited issues that we can manage.

Can we gain strength by *uniting* our efforts? Can we find some key issue which is so crucial to the entire range of issues on which we are already working that we can all benefit by taking on this additional issue together? Might such an issue enable us to break out of our usual defensive posture to go on the *offensive* against the Harper-supported corporate agenda, and to gain new advantages? Might this issue enable us to reduce at its *heart* the power of corporate elites so that they can no longer run roughshod over us and the environment? Might we *frame* this issue vividly as an expression of our commitment to foster a caring, envi-

ronmentally sensitive people's agenda?

Obtaining government funding is crucial for most of our activist struggles. But indebted governments are cutting their spending. Almost all public discussion of government finances is limited to *fiscal policy* – the management of income and spending. We are told that there are only two possibilities: raising taxes, which is now regarded as unacceptable, or cutting spending, the currently preferred option. Hence the austerity agenda. Obviously raising taxes on the rich would move us in the right direction. Although tax reform must be included, we urgently need to focus also on a potent, neglected alternative: *monetary policy*.

Concern for monetary policy leads us to focus attention on the overlooked fact that governments at all levels in Canada are heavily burdened by *interest payments* on their borrowings – some \$60 billion every year recently – and close to \$2 trillion since 1975! These payments are not necessary! Our governments have been borrowing at interest from private banks and other private moneylenders. The federal government could have been using our publicly owned Bank of Canada to provide needed loans at near-zero interest! Nearly all our activist groups could benefit from a return to this practice which was used effectively between 1938 and 1975, enabling Canada to get out of the Depression, through World War II, and for thirty more years to build up our social programs and infrastructure, bringing the most prosperous period in Canadian history – with negligible inflation.

How does this monetary reform enable us to go on the offensive against the corporate agenda? It takes on the corporate elites at the *heart* of their power. This is not simply their control over enormous wealth, but even more basically it is their control, through the privately owned banking system, over the power to *create money out of nothing*. They use this power to exploit us! With a return to the originally mandated purpose of the Bank of Canada, the power to create money out of nothing could be made available for *public* benefit. We activists need to unite to campaign for this result. An understanding of the workings of our money system is needed to clarify this strategic option. We take our present system for granted, and have little awareness how unjust and damaging it is.

What is money, and where does it come from? We generally assume that government supplies our money, and indeed it does provide the cash we carry for small transactions. But cash is only about 2% to 3% of our money supply. Nearly all the rest, about 97% to 98% – money essential for facilitating economic activity – has been created as computer entries by the privately owned banks in their process of making loans. They would like us to believe that they are simply intermediators lending out the money of depositors. But this is not the case. *When banks make loans they create new money*. When someone takes out a loan, the bank insists that the borrower provide collateral, some valuable asset that the bank can take over in case the borrower defaults on the loan. The bank gets to create that loan money out of nothing, and if we borrowers fail to pay it back fully, on time, with interest, the bank gets to take over our valuable collateral.

That is bad enough. But it gets worse. *When banks make loans, they create money for principal, but not for the interest they require to be paid*. Borrowers have to compete with one another for money which has been created only as principal to pay both principal and interest, and also to have money for essential current use. People who owe nothing are also competing to use this same money supply. As *competition* prevails, impulses toward cooperation and charity are undermined. In this debt-money system there is always a shortage of money for interest payments. Money to pay interest can be obtained only through even more borrowing and more debt. Obviously this is unsustainable. Defaults come on inevitably, and *recession* follows.

This system is also inflationary. To pay interest along with their other expenses, businesses constantly strive to push up prices. In response, workers strive to raise wages. Hence *inflation*. The interest requirement is also a factor in driving businesses to pursue *unsustainable growth*. Moreover, as those who are economically vulnerable default on their loans, many are driven into poverty, and wealth becomes increasingly concentrated into the hands of a few, exacerbating the growing problem of *inequality*.

When borrowers pay off their loans the banks keep the interest as their own, but they *destroy* the principal. The creators of money are also its destroyers! This is an enormous additional source of power often used to our disadvantage. If all borrowers – governments, businesses, and individuals – strove to exercise the virtue of thrift by

paying off their debts, long before succeeding they would have driven the economy into deep depression.

We are all in thrall to the banks – even those of us who carry no debt. On average about 40% of the prices of all the goods

in our society is the result of accumulating interest expenses! (See [www.converge.org.nz/evenz/money.pdf](http://www.converge.org.nz/evenz/money.pdf).) We could reverse this and all the other damaging impacts of our money system by returning to using our publicly owned Bank of Canada to provide

interest-free loans to all levels of government for public benefit. Further explanation is needed here.

The power to create money out of nothing is awesome. *Whoever gets to benefit from the first use of newly created money gets a free*

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## Scientists Fight to Roll Back Darkness

*By Carol Goar, Toronto Star, October 3, 2014*

A year ago, a handful of Toronto scientists decided they could no longer watch helplessly as the government of Canada systematically stifled information on everything from climate change to drug safety.

They formed a collective called Scientists for the Right to Know.

They compiled a list of all the public agencies that have been eliminated, all the science and knowledge-based programs that have been discarded and all the strictures that have been placed on public officials. They created a website. They urged their academic peers to speak out.

But none of them knew much about public advocacy. They were scholars after all, not lobbyists, organizers or publicists.

So they made it their business to learn. This week, they held a public forum at the Munk School of Global Affairs. It was called *Imposed Ignorance*, a panel discussion highlighting what Canadians are losing and why it matters.

They invited three highly regarded public figures – Munir Sheikh, who stepped down from his position as chief statistician of Canada rather than adulterate the national census, Mel Cappe, former head of the federal public service, and David Hulchanski, of the University of Toronto, who has lost the data he needs to continue his pioneering work on urban poverty. (I moderated the two-hour session.)

Tickets sold out weeks in advance. The audience was knowledgeable, worried and eager to participate. The speakers eschewed histrionics, but made it clear that serious damage has been done.

“It’s easy to wreck something that’s working well and it’s hard to make it work again,” Hulchanski warned, adding that it will take more than the election of a new government in 2015 to recover what has been lost. Cappe, who spent 31 years in the federal public service, concurred. “When the muscles atrophy, it is very hard to pick up weights. It will take a long time to recover.”

What was striking, when all the evidence was laid out, was how successful the government has been in silencing individuals and agencies that challenge its ideology or track the impact of its decisions.

Most could name a few examples: the cancellation of the mandatory detailed census in 2010, the gag order imposed on federal scientists in 2012, and the audits of charities that speak out on public issues in 2013. But the scientists’ list goes on for eight pages, dating back to 2006 when a climatologist at Environment Canada was forbidden by then-minister Rona Ambrose to talk to the media about a science-fiction novel he’d written about global warming.

Over the next eight years the Tories eliminated the National Roundtable on the Environment and the Economy, Canadian Policy Research Networks, the Law Commission of Canada, the National Council of Welfare and the Canadian Council on Learning. They decimated Statistics Canada, cut Health Canada so severely it no longer has enough scientists to ensure the safety of new drugs and downsized Environment Canada so aggressively it no longer has enough inspectors to ensure new projects meet federal standards.

“Canadians are being made more ignorant about our country and ourselves,” said Margrit Eichler, president of Scientists for the Right to Know. “Good policies must be based on solid evidence. Democracy requires an informed electorate.”

Her colleague Phyllis Creighton put it more bluntly: “We’re being cheated by our government.”

It would be misleading to suggest the audience was a representative cross-section of the electorate. Many were the same folks who protested vehemently when the government cancelled the mandatory census; reared up when Harper prorogued the House of Commons for the fourth time; and objected when his ministers started tabling massive, multi-part bills that changed everything from the Criminal Code to protection of inland waterways.

What was encouraging, however, was the number of young voters who came out. They listened attentively and asked incisive questions.

Measured against its modest goal, the evening was a success. The debate has moved beyond a core of muzzled scientists and worried academics.

The bigger challenges lie ahead: Ratchet up the decibel level, raise the political stakes and mobilize busy, jaded citizens.

### Our Comment

In 1936, President Roosevelt faced a powerful opposition from “economic royalists” – “privileged princes of...new economic dynasties” who “created a new despotism... erected a new industrial dictatorship” (Roosevelt’s acceptance speech, 1936, quoted in *Eleanor Roosevelt*, vol. II, p. 370). The polls suggested that his opposition “had a significant lead.” Roosevelt, however, won “an unprecedented landslide victory” (page 389).

While she was “profoundly moved” by the fact that “for all the name calling and rude misinformation, American democracy worked,” Eleanor Roosevelt was persuaded that “only individual involvement, grassroots activism, would result in the actual changes needed to fulfill her husband’s promises.” She wrote and lectured extensively on the need to realize “that true democracy is the effort of the people individually to carry their share of the burden of government.” Addressing an audience of two thousand, in Philadelphia, she said, “We must not think that our leaders can do what we wish done, unless we do our share” (page 388).

Timely advice! Between now and the next federal election – and thereafter – we need to support and appreciate efforts such as the action taken by Scientists for the Right to Know, and to do all we can do to encourage and enable people to “carry their share of the burden of government.”

Clearly, change will not come from the top!

*Élan*

*benefit!* The process is essentially the same as when counterfeiters print and successfully pass off cash. But they face the difficulties of devising convincing facsimiles of modern cash, and they run the risk of arrest and punishment. Commercial banks can, entirely legally, quickly create any desired quantity of money with simple computer entries. This is easier than picking money off trees. And they tell us there is no such thing as a free lunch!

Our Bank of Canada could use this same simple process to create money for public benefit, as it did in the past. It can *lend money into existence* – say, for investment in much-needed infrastructure, thus creating lots of jobs. At present governments borrow at interest and pay for such projects two or three times over. Interest-free loans would make it possible for them to pay for the projects just once, out of tax income, over the lifetime of each project – perhaps 30 to 50 years. This would free large amounts of tax funds for current program spending.

There is another astonishing possibility.

When additional new money is needed in the economy, as now, governments could simply *spend money into existence as a free benefit for public use*. Whether government-created money is lent or spent into existence, debt-free money is injected into the economy, making possible great reductions in the far-reaching problems resulting, as already mentioned, from our present destructive debt-money system. And governments could have access to abundant funds for initiating creative measures for social and environmental welfare, while gradually reducing their past debts.

Having money-creation under government control is no panacea. Spending for human and environmental abuse, as in war, remains possible. Any campaign for monetary reform is a struggle for *democratization of our money system*, and such a campaign can readily be integrated with the wider struggle for greater democracy. We need to develop a high degree of public awareness regarding how our money system works, procedures to assure that accurate information on the

functioning of the system is publicly available, and widespread commitment to assuring that the system is benevolently used. Strong public understanding and support are necessary to resist the intense opposition that banks can be fully expected to mount against monetary reform.

We must not wilt before the inevitable claim that government-created money is inflationary. We need to emphasize how damaging our present bank-created debt-money system itself is. It has its own long record of promoting steady, ongoing inflation, as already explained here. Inflationary pressures are built into its very genes. Moreover, there is much evidence to indicate that when governments have controlled their own money-creation they have managed their economies with very little inflation, as Canada did between 1938 and 1975. The record shows that hyperinflations, including that of Germany in the 1920s, were not driven by government irresponsibility, but by wealthy speculators, including banks, manipulating national currencies to their

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## Oliver Promises Sweeping Tax Breaks

*By Les Whittington, Toronto Star, August 13, 2014*

*Preview of 2015 budget reveals help for individuals and single-parent families*

Wakefield, Que. – The federal government is promising income tax cuts – and not just for families.

“I’m talking about reducing taxes for Canadian families and individuals,” Finance Minister Joe Oliver said in a preview of the 2015 federal budget.

Prime Minister Stephen Harper has pledged since 2011 to trim income taxes for families with young children by bringing in an income-splitting measure. But sources say the backlash against that narrowly targeted proposal has led the government to rethink its policy and look at other tax breaks for Canadians who don’t qualify to take advantage of income-splitting.

Flush with an estimated \$6.4 billion budget surplus, the Harper government plans to use its next budget to dangle tax cuts in front of voters in advance of an election expected in the fall of 2015.

Harper has said the Conservatives will go ahead with income-splitting, which was promised in the last election once the budget was balanced – something that is only happening now. If implemented, income-

splitting would allow couples with children under 18 to split up to \$50,000 of their income for tax purposes. This would reduce the household’s overall tax bill.

But the proposal, which would cost Ottawa \$3 billion annually in foregone revenue, would benefit only about 1.8 million households and be most valuable to those where one spouse stays home while the other brings in above-average income. The fairness of the plan has been widely questioned, including by former finance minister Jim Flaherty.

As a result, the government has been considering other tax breaks that could balance its approach by helping other taxpayers such as single-parent families, individual taxpayers or those with lower incomes, sources say. Oliver, who met with reporters in Wakefield, Que., before a two-day brainstorming session with 16 Canadians from various walks of life, also said the federal government can see why Ontario Premier Kathleen Wynne would ask Ottawa to increase spending on roads, transit and other infrastructure in Ontario to \$12 billion a year.

“We understand the importance of dealing with ageing infrastructure and with the need for more infrastructure,” Oliver said.

But he said it would be irresponsible to meet Wynne’s request for \$12 billion annually. If carried out proportionately across the country, that would cost Ottawa \$30 billion in infrastructure expenses annually and drive the federal government into a massive “deficit” was erroneous.

### Our Comment

When Premier Wynne called on the feds to quadruple infrastructure funds, Finance Minister Oliver declared her “demand... divorced from fiscal reality.”

The reality is that fiscal reality is a matter of political choice (like, taking from the poor and giving to the rich – or, easing off on the 99 percent just prior to an election). It is not one of economic determination.

As Wynne noted then, federal infrastructure investment began to decline in the 1970s. Now, *that* had to do with *monetary reality*, a reality long denied and a source of revenue criminally neglected since a political decision, after 1974, not to use our *public* Bank of Canada to fund government projects.

NB: For further insights into *reality*, read *Paul Martin: CEO for Canada?* by Murray Dobbin.

*Élan*



own great advantage (see Ellen Brown, *The Web of Debt*).

While there are additional complexities regarding our money system which specialists in monetary reform need to master, the basics have been presented here. A cam-

paign for monetary reform must aim to get elected a federal government which will use the Bank of Canada to create money for public benefit as originally intended by the *Bank of Canada Act*, and as was done between 1938 and 1975. Here are five reasons

why activists should unite in a campaign to achieve this end:

- This campaign would enable us to go on the *offensive* against the power of corporate elites at its *heart*: their monopoly over the creation of money out of nothing.

## Wynne Calls on Feds to Quadruple Infrastructure Funds

By Richard J. Brennan, *Queen's Park Bureau, Toronto Star, August 7, 2014*

Finance Minister Joe Oliver says demand for \$12B yearly "divorced from fiscal reality."

"We are not going to engage in a wild spending spree, which will create massive deficits." – Joe Oliver, federal finance minister

Premier Kathleen Wynne wants \$12 billion a year from Ottawa in infrastructure funding or more than four times what the province gets now from the federal Conservative government.

"We are calling on the federal government to increase its infrastructure funding to 2 percent of GDP annually...we would see the immediate results of that kind of change in investment," Wynne told reporters Wednesday, at a special interprovincial summit on infrastructure in Toronto.

"I believe this is the time to fill that infrastructure gap that has existed," she said, adding that more money means more jobs and economic stimulus.

The Toronto summit was attended by some premiers, including Manitoba's Greg Selinger, provincial cabinet ministers, as well as municipal and private sector representatives.

When asked if she really believed that the federal Conservative government was going to cough up \$12 billion a year for Ontario, Wynne said with a wry smile: "I am making a proposal."

Federal Finance Minister Joe Oliver told the *Star* that Wynne's request is "divorced from fiscal reality."

"We are not going to engage in a wild spending spree, which will create massive deficits and increase the debt.... We will also not jeopardize our top credit rating and we will not add to the intergenerational burden," he said.

Oliver said since 2006 Ontario has received more than \$12.3 billion from various federal infrastructure programs or more than three times what the previous Liberal government paid out to the province from

1993 to 2006.

Earlier, Wynne told the gathering that Canada's aging infrastructure is in dire straits and is especially threatened by severe weather being experienced across the country.

"Public infrastructure in Canada has been neglected by all levels of government for too long," Wynne told the summit Wednesday.

"And I would argue that now – time is up," she said, adding progress in this area can only be made when the federal and provincial governments work together.

Wynne said the provinces are doing what they can to make improvements, but the real problem can't be tackled without Ottawa's financial assistance.

"We need that federal support. We need it in an ongoing way. We need it to be adequate, we need it to be permanent, reliable and flexible enough to address the different infrastructure priorities in each part of the country," she told reporters.

Wynne said, for example, the province is spending \$130 billion over 10 years on infrastructure compared to the federal government spending \$70 billion over the next decade on the whole country.

Wynne acknowledged that Ottawa is looking to balance its books, but cautioned that, at the same time, it still has a responsibility to set priorities, "and a huge part of that is investing in infrastructure that is sorely needed in every part of the country."

She noted that investment in infrastructure started to drop off in the 1970s "when Canada pulled back from a period of post-war infrastructure investment.

"This mistake wasn't fully apparent until the 1990s. That's when the crack could no longer be hidden," she told the gathering of premiers, provincial ministers and municipal and private sector representatives.

Wynne noted that according to a Statistics Canada report, 10 percent of private sector productivity gains between 1962 and 2006 were due to investment in infra-

structure.

Wynne said too often governments now wait for special events like the Olympics or Pan Am Games to invest in infrastructure.

"We should question why we need an international event to bring these projects online," she said.

Manitoba's Selinger said his province is a case in point having been ravaged by flooding.

On July 1, 2013, the Manitoba government increased the provincial sales tax to 8 percent from 7 percent to go entirely to infrastructure spending.

The Ontario government considered a similar move but abandoned it.

### Our Comment

*Fiscal policy* (taxing and spending) – especially when geared to *shrinking* government revenue – can not fund infrastructure satisfactorily.

*Monetary policy* (money-creation and management), can; "Anything physically possible and desirable can be made financially possible." This was confirmed by Graham Towers, founding governor of our *public* Bank of Canada. He also verified that banks *create* money.

Between 1938 and 1974, Canadian governments used government-created money to fund public infrastructure – without problematic debt or inflation.

They have since borrowed, instead, from private banks – costing Canadians to date, over 1 trillion dollars in interest on the national debt alone!

Premiers shouldn't have to beg! The feds should exercise their *sovereignty*.

Canadians need *not* be debt slaves. They need only to review the history of *their* central bank, then elect to Parliament politicians with the *understanding*, the *integrity* and the *courage* to fulfill their constitutional duty, "to promote the economic and financial welfare of the Dominion."

Élan

- This campaign would enable us to go on the *offensive* against our corporate antagonists so that they have to expend energy and give attention to *our* initiatives.

- This campaign would enable us to take action which is critical for all our separate struggles, and to combine our strengths into a *single struggle*.

- Victory in this struggle would not simply maintain or restore a previous beneficial status quo. It would overcome the debt-driven, exploitive austerity agenda by enabling us to pay off public debts while *providing abundant funding* for improvements and initiatives for public benefit.

- If we *frame* our campaign by focusing on the glaring injustices resulting from elites' outrageous monopoly over the creation of money out of nothing, a power that could be made available for public benefit as in our past, we can make a compelling case for our cause.

A campaign for monetary reform will certainly be demanding. It requires bringing together many activist groups which already have challenging agendas. It requires a massive public education effort without assistance from the mainline media. It will face ferocious opposition from the banks, with the full assistance of the mainline media. It will need to convince a reluctant NDP to take up this cause. The Committee on Monetary and Economic Reform (COMER) has been working on this issue since the 1980s, and has much expertise, but has insufficient strength to manage the task alone. Nevertheless it has in progress a lawsuit against the federal government for its failure to carry out the mandate of the *Bank of Canada Act*. There is no other organization in Canada better situated than the CLC to lead a campaign for monetary reform. It is a tough assignment. But we need your leadership. Success could reverse the corporate agenda, and bring spectacular social and environmental improvement.

*George Crowell, member of COMER, taught Social Ethics in the Religious Studies Department, University of Windsor, 1968-96.*

### About Our Commenter

Élan is a pseudonym representing two of the original members of COMER, one of whom is now deceased. The surviving member could never do the work she is now engaged in were it not for their work together over many years. This signature is a way of acknowledging that indebtedness.

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# Re-democratizing the Economy — Bien Congress 2014

*By Carol Bailey*

BIEN (Basic Income Earth Network) is an international non-profit group, consisting of 20 member countries, that advocates for a basic income (guaranteed annual income). The Canadian member chapter, Basic Income Network Canada (BINC), aims to “eliminate poverty” and secure “wellbeing for all Canadians” by instituting a guaranteed annual income program as an alternative to the current collection of income security programs.

BIEN held their 15th Congress this year at McGill University in Montreal from June 26 to June 29. The Congress featured eight key-note speakers, including one from Canada (Dr. Anna Reid, Past President of the Canadian Medical Association), who addressed various aspects of the general congress theme, “Re-democratizing the Economy.” The four-day agenda included a preliminary program on Thursday that included a workshop on “Basic-Income-Canada Visioning,” and a concurrent open meeting on the US Big (Basic Income Guarantee) Program, an address by the chairperson of Basic Income Network Canada, Shelia Regehr, a presentation by Kelly Ernst, Director of the recently launched initiative, BIG Push, and an outstanding presentation by Dr. Anna Reid on the social and economic determinants of health.

Although, due to several limitations, it was possible for COMER representatives to attend only the first day of the Congress, the effort proved valuable in several ways. First and foremost, the basic income program must have a funding mechanism and our Bank of Canada is the most obvious means. Second, we were able to get some insight into BIEN itself as well as the concept of a guaranteed annual income as an important (perhaps necessary) stepping stone to achieve a more equitable and just society.

Third, we were able to make contact with several “like-minded” individuals, including BINC members and we will be able to maintain contacts with them through the exchange of emails. It was also a fortunate situation that the Raging Grannies were holding their annual conference at the hotel where we were staying. Through chance conversations, we were able to spread the

word about COMER and the Bank-of-Canada solution.

### BASIC Income Visioning Workshop

This morning session (held concurrently with an open forum to discuss the US Basic Income Guarantee (BIG) program), consisted of a workshop to address key aspects of the proposed Canadian Basic Income program. Kelly Ernst, Director of BINC, introduced the session and commented that the attendance was more than expected, (the entire conference was sold out).

The four aspects discussed were: What is Basic Income and on what Principles is it Based?; Taxonomy (definition of terms); the Tough Questions; Forming local Chapter Groups. One of our members joined the Taxonomy group and the other joined the local chapter group. In each workshop one person was chosen to report on the group's findings, and one was chosen to record the findings. The records will be printed and made available after the conference. Participation in these groups allowed us to interact with other participants and to contribute to the Chapter group dealing with the resources required to start and to maintain a local, non-profit, social activist group.

It was generally agreed that start-up and maintenance of a non-profit group required certain resources that can be problematic. A meeting place of sufficient size, along with a location that is accessible, was identified as a necessity. The fact that many people today are over-committed and have little spare time was also addressed, along with the issue of low income and transportation costs. It became evident that retired individuals who had good community connections and adequate financial resources were often the best-placed to start up and maintain a successful group.

Two examples were a retired university professor who had ongoing connections with the university, with colleagues, and with a network of friends, and a retired lawyer with similar assets. This group also discussed the issue of how a national or international group, such as BIEN can encourage and support small chapters, including providing literature, along with start-up funding, and providing a newsletter to chapters.

## The Big Push Campaign

Kelly Ernst, BINC secretary-general and a main organizer of the 2014 Congress, described the Canadian initiative to implement a Basic Income plan. The BIG PUSH campaign is described as “a national campaign to build on existing forms of basic income in Canada so that all Canadians have access to a basic income.” The BIG PUSH campaign has three objectives: to raise public awareness of Basic Income and make it clear why a basic income is needed; to build public support and policy support (political support) for a basic income program; to secure public commitments (from political parties and other agencies) to expand our existing system of income supports.

In his presentation, Mr. Ernst gave a progress report on the campaign, and noted some of the key project phases of the campaign. The phases included the Founding of PUSH, policy parameters, the establishment and expansion of local groups, public education, and reaching out to policy makers.

The PUSH campaign can offer some insight into campaign and organizational development for COMER. One of their first steps was to make a clear statement of basic principles and objectives. A quotation from their brochure: “Our Focus: We provide information on Basic Income, promote the idea, and educate the public and policy makers about ways to support a basic income.” As well, they have one clear statement under their name (Basic Income Network Canada) “By eliminating poverty, wellbeing for all Canadians is secured.”

PUSH has also identified the development of local groups as a vital step towards achieving their goal of educating the public and getting the support of policy-makers.

I also took note of two other points. Mr. Ernst emphasized the importance of having a *communication* plan that would cover all of the bases to get the message out. A top-notch communication plan is necessary. He also noted “web development”; the securing of basic resources (such as office space), and team development (assembling teams to work on various projects). And, this requires a budget. Ernst stated, “One million dollars or more will be required to develop our Campaign.”

The “BIG PUSH” has ten members on the Board of Directors, individuals who have a long-standing interest in Basic Income and who generally have professional interests in the topic. More information about this is available on the PUSH website.

It was my general impression that PUSH

and BIEN membership consists mostly of individuals with professional credentials in the academic field, in law, public administration, politics, medicine, and social work. The premises for the conference, for example, at the Faculty of Law at McGill were donated due to the efforts of Prof. Weinstock, a faculty member and prominent social scientist at McGill University.

Following the presentation by Kelly Ernst, a panel discussion addressed some of the issues around introducing a basic income program, including affordability, methods of payment (through the tax system for example), resistance, how much should be offered, and other related subjects. Bruce Hyer was the only politician who attended (Green Party, MP, Thunder Bay riding), although others were invited (NDP, Liberal).

One of the key issues is funding. It was noted by Mr. Ernst that Canada has funded major social programs in the past without bankrupting the country and gave the senior pension programs and our health care system as an example. However, no one mentioned the Bank of Canada and the turn-about in 1974.

In the question period that followed the panel discussion, I noted that our Bank of Canada had paid for the mentioned social programs with “debt-free money.” I also mentioned the lawsuit and Rocco Galati, the Bank for International Settlements, the “order” to stop using our bank (1974), and the huge burden of debt that compound interest placed on Canadians year after year. My impression was that most of the panel members, and Mr. Kelly Ernst himself didn’t fully understand the issue. However, it seemed to me that MP Bruce Hyer was well aware of the Bank of Canada issue. However, he didn’t indicate a particularly keen interest in advocating it publicly. In a later conversation, he mentioned that he had to be careful not to alienate his constituents in his northern Ontario riding.

## Public Lecture

A public lecture by Dr. Anna Reid, MD, followed by a discussion, completed the proceedings for the day. Dr. Reid is the Past President of the Canadian Medical Association and a strong advocate of the social and economic determinants of health. In her comprehensive and powerful lecture, she made it crystal clear that income has far more influence than any other factor in determining health and longevity. (A copy of her lecture will be available on the BIEN

Canada 2014 website, along with a transcript of all the lectures that followed and an archive from earlier years.) *This argument is one of the most powerful in support of economic justice and the elimination of poverty.*

Although we were able to attend only the first day of the Congress and the benefits of attending for the full program would have been a great multiplier, we did learn a lot about BIEN, BINC, and campaign organizing issues. We made contact with several individuals directly involved with BIEN, and other conference participants with common interests who could be valuable partners in COMER’s organizations.

We learned that BIEN organizers are aware of the need to have an income support program that will go beyond simply supplying people with a “sufficient” level of income and abdicating all other responsibilities. One of the panel discussions dealt with the “Basic Income Paradox” stated by Ernst as, “over-focusing on basic income without tackling the larger context [a tendency that] may undermine efforts to re-democratize the economy.” The simple implementation of a guaranteed annual income without consideration of other issues related to social inequality and injustice may result in the entrenchment of social class distinction.

Through the Basic Income Network Canada we could broadcast our message to a much larger audience. As well, we could learn from the promotional material used by BINC to improve our outreach efforts.

The two primary issues that BINC must address in its current BIG PUSH campaign are Canada’s need for a Basic Income program, and the means of funding it.

In these we have a common interest that invites cooperation. BINC should be high on our list of organizations with whom we might profitably explore the potential advantages of a united effort.

*Carol Bailey is a member of COMER Steering Committee, a graduate of the University of Toronto and York University with a major in political science, environmental studies and social psychology, a writer and editor for the Ontario government, and freelance reporter.*

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# Why Are Stock Markets So Volatile? A Serious Depression is Pending as a Result of Austerity

*The Real News Network, <http://bit.ly/1rtbeZ3>, October 17, 2014*

Michael Hudson is a Distinguished Research Professor of Economics at the University of Missouri, Kansas City. His two newest books are *The Bubble and Beyond: Finance Capitalism and its Discontents* and upcoming book *Killing the Host: How Financial Parasites and Debt Bondage Destroy the Global Economy*.

Transcript of a Real News Network interview:

SHARMINI PERIES, Executive Producer, TRNN: Welcome to The Real News Network. I'm Sharmini Peries, coming to you from Baltimore.

On Wednesday this week, the S&P 500 took a dive and then partially recovered itself in what stock market watchers call a selloff scare.

To talk about what is behind the volatility is our regular guest, Michael Hudson. Michael Hudson is a distinguished research professor of economics at the University of Missouri-Kansas City. His latest books are *The Bubble and Beyond* and *Finance Capitalism and Its Discontents*.

Thank you so much for joining us, Michael.

MICHAEL HUDSON, Professor of Economics, UMKC: It's good to be back.

PERIES: Michael, if you heard stock market reporting yesterday or saw *The New York Times'* business section today, you would have thought we were in another stock market plunge. What's behind this fluctuation?

HUDSON: Well, the markets are obviously confused, because there are two sets of forces on the market, one positive and one negative. The positive thing is that we're going into a real serious depression [incompr.] austerity in the United States, austerity in Europe. And for the last six years, since 2008, almost all of the gains have been going only to the 1 percent. This has caused – they've kept the debts on the book. It's

creating large unemployment.

And so Europe and America are saying, this the best opportunity we've had in a century. Here is a chance to do what we call reform. A century ago, reform meant increasing wage levels and increasing living standards and taxing the rentiers, but right now reform means, in Europe, breaking the labor unions, lowering wages, and putting the squeeze on labor. So all of that is supposed to be good for profits.

PERIES: But, Michael, just last week the Bureau of Labor Statistics in the US announced that unemployment is the lowest it has been in a very long time. Why? This is contrary to what you're saying.

HUDSON: Well, it's true that the unemployment rate among people searching for jobs is low, but there's been a large movement out of the market for a number of things. Number one, fewer people are even looking for work. They've given up. Number two, many of the jobs that are being created are very low wage jobs at the low end of the spectrum or they're part-time jobs. And if you work for part time at all, you're not considered unemployed. If you've given up looking for work, you're not considered to be unemployed.

So even though some of the wage levels, the minimum wage has been raised in Massachusetts and out West, when the minimum wage level is raised, that means the families that have been living on food stamps while they've been working at McDonald's or at other low-wage companies, they don't qualify anymore. So there's been very little change in the actual family budgets.

The markets were expected to sort of somehow take off with higher profit if there was a business cycle recovery. But it's become apparent that we're really not in a business cycle anymore. We're at the end of a long 50-year cycle since World War II, where the debts have been rising so much that all of a sudden the economy can't be financed by debt anymore. And if the economy isn't financed by debt, that means that markets can't grow, that all of a sudden what was fueling the growth and consumer demand that's been increasing profits has come to an end. This is especially apparent in Europe. So, basically, what people thought was supposed to be good news turns out to be quite

bad news.

PERIES: Michael, when the World Bank and, actually, the IMF adjusted the global growth rates last week, which has been a trend – you know, they've done it consecutively for a number of years now where their long-term projections aren't just turning out the way they had planned and projected. Why is that happening?

HUDSON: Well, they had thought when the World Bank and other people had forecast a trend, they'd take past growth rates as they were up to 2008 and just said, what if they just continue as if growth occurs automatically? But what was fueling all of this growth was just a creation of debt, largely by inflating real estate prices, and bank credit creation, and government spending that has run a deficit.

Now, economies, in order to grow at this rate, they need credit and they need income. Now, the credit either can come from governments running a budget deficit and pumping money into the economy, or it can come from bank lending. But at the IMF meetings last week, it was clear that as far as Europe's concerned, the banks have not recovered yet. The banks are not lending. And American banks are not lending. There has not been any lending in Europe or in the United States for new capital investment. And it's capital investment to build factories, to make new means of production that employs labor.

So you have this whole source of employment that was fueling the global economy since World War II is coming to an end, capital investment to increase. The only capital investment that's occurring really is in the BRICS countries, not in America and not in Europe. So the kind of employment that occurred in the past has not been occurring since 2008. What we have is sort of living on the corpse of the economy that was left in 2008 and it's basically an economic shrinkage process we are in. There's no infrastructure spending. The infrastructure's aging. There's no corporate industrial investment. That stopped. There's simply services trade in the military.

PERIES: Michael, only thing that held up yesterday were some of the transportation stocks. Why is that? And also explain to me – you wrote to me saying 91 percent

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of the S&P 500 earnings are spent on stock buybacks and dividends. What does that mean?

HUDSON: Well, in 2008 the Federal Reserve here and the central bank in Europe lowered interest rates way down to almost nothing. It's one-tenth of a percent in the United States. That means that banks can borrow from the Fed to make loans. And what they've been lending for are for corporate takeovers and for stock buybacks. In the stock market in the last year, one-third of all of the stock transactions in the United States are stock buybacks. That means corporations are using – the S&P 500 have used, I think, 54 percent of their earnings to buy back their own stock, and they've been using another 40 percent or so to pay dividends. Now, that has left only 9 percent of earnings of the S&P 500 available for new investment. Never before has this ratio been so low.

Most companies use their earnings to re-invest. They expand. They try to earn more by investing more to produce more to make more profits to keep on growing. But that hasn't been occurring at all. They've been using their earnings basically to give stock options to the managers. The manager say, okay, I'm paid according to how much I can increase the price of the stock. I'm not going to use my corporate earnings of IBM or General Motors or whatever, I'm not going to use these to build more plant, 'cause then I'm going to use it to push up the stock so I'm going to get more in my stock option. And you have activist stockholders such as have been raiding Apple and other companies, like Carl Icahn, that have been pressing Apple and others to actually borrow not to invest as the textbooks say, but to buy back their own stocks. So you have companies that are actually going into debt to buy their own stock.

Now, the low interest rates that in economic theory are supposed to make it more profitable for companies to invest and employ more labor and grow are having just the opposite effect. The low interest rates are creating a new stock market bubble, which is why the stock market has gone up so much since 2008. But this rising stock market bubble has only been in the price of the stock. It's stocks going up without any new capital investment, without any new hiring, and, in fact, with downsizing and outsourcing. So they've turned the traditional textbook model of economic recovery inside out.

And gradually the investors and the

hedge funds are realizing, wait a minute, this isn't your textbook kind of recovery; this is a kind of recovery that's only occurring in the financial sector and real estate and insurance, the FIRE sector, finance, insurance, and real estate. It's not occurring in the economy at large. And if all of these earnings on Wall Street are not recycled in the economy at large, then markets are going to shrink, there's not going to be much of a rental income for commercial space, and with shrinking markets you're not going to have companies earning more profit on investment, even if they're holding down wages.

PERIES: Michael, does this have anything to do with the murmurs out there that the interest rates might actually increase?

HUDSON: There was a fear that the markets – that the Federal Reserve was going to stop quantitative easing. They've been saying, look, we can hold down interest rates forever. And at the IMF meetings last week, the Europeans are saying, look, we worry that these low interest rates are spurring a financial bubble.

Now, if interest rates go up, that means that all of a sudden all of this borrowed money that's gone into stocks is going to disappear. People are going to say, okay, we can't make money borrowing to buy stocks, we can't make money borrowing for real estate, so we're not going to pay back the bank loans. We're going to stop gambling.

And all of this was exacerbated by the US, the new Cold War against Russia, because essentially the United States went to Europe and said, let's you and Russia fight. So Europe imposed sanctions, and Russia imposed harder sanctions. So the European economy is shrinking. And so, because the European economy's shrinking, the euros going down. The Eurozone is turning into a dead zone, and the Europeans are moving their money into the United States. That's pushing up the dollar.

Now, if the Federal Reserve were to raise interest rates at this point, this would not only slow, bring down the stock market and bring down the bond market, but it would also bring so much money into the dollar, because Europe cannot raise its interest rates, that this would price American goods out of world markets. And that would shrink the market for American industrial exports all the more. So the United States has painted itself into a corner where it really can't increase interest rates. Even though investors worry that the Fed is going to raise it, the Fed knows that it can't raise interest

rates without crashing the market down.

PERIES: Michael, thank you so much for joining us.

HUDSON: It's always good to be here.

PERIES: And thank you for joining us on The Real News Network.

## Our Comment

Michael Hudson's essential message, that at this point, we've gone pretty well as far as we can go with an economic system financed through debt, brings into sharp focus the absurdity of austerity measures. His blunt warning that they can only lead to a severe depression is clearly explained. His argument is compelling.

In Canada, because our central bank is public, we can produce the credit and the income essential to a healthy economy *without* running a deficit. We did it for years!

While those obsessed with power and profit may welcome the crisis as a chance to further impose their revision of reform, the rest of us would do well to remember that it was the last great depression that taught us the need to own a central bank that would "regulate credit and currency in the best interest of the economic life of the nation" (Bank of Canada Preamble) – to recall and repeat:

"Once a nation parts with control of its currency and credit, it matters not who makes that nation's laws. Usury, once in control will wreck any nation. Until the control of currency and credit is restored to government and recognized as its most conspicuous and sacred responsibility, all talk of the sovereignty of Parliament and of democracy is idle and futile." – *Prime Minister William Lyon Mackenzie King*

The stakes today are even higher, for efforts to revive a thoroughly failed economic system threaten the air we breathe, the water we drink, the food we eat, and the very planet we depend on for life itself.

The debt-money system must go.

*Élan*



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# Towards a Positive Economics

By John Riddell

In *The Money Mafia*, author Paul Hellyer “steps outside the box” and tells us what he sees. And he sees a lot. He quotes US President James A. Garfield: “Whoever controls the volume of money in a country is absolute master of all industry and commerce.”

## The Problem — The US Federal Reserve: A Private Bank

Hellyer claims that many of the problems we face today began with a secret meeting on Jekyll Island, Georgia in 1913. The seven men attending the meeting represented an estimated ¼ of the total wealth of the entire world. Their plan was to create a Federal Reserve Bank owned, operated, and controlled by them – and they got away with it!

When the US Congress passed the bill creating the Federal Reserve Bank, “to put it bluntly,” Hellyer says, “the Congress transferred its sovereign constitutional right to create money to the sole custody of a small group of private bankers.... If...the US had established a publicly owned central bank mandated to serve the interest of the American people, the US federal debt could have been zero today, instead of \$16 trillion and rising.” In fact, Hellyer says, “Soon after the Federal Reserve bill was passed, the magnitude of the tragedy began to be recognized.... But the bill was not repealed.... Americans still put their trust in a system regulated by a Fed which gives the interests of the banks and the money-lenders a higher priority than the interests of the country.” The idea was to create “a self-regulating banking system in which governments would play no part.”

## The Solution: A Federal Public “Bank of the USA”

Hellyer: “[the Fed] has to be nationalized or wound up and replaced by a legitimate Bank of the United States that would secure the interests of American taxpayers rather than those of a toxic international banking cartel...Politicians who enthusiastically support winding up the Fed and replacing it with a genuine *people’s bank* will be worthy of re-election.”

The transfer of the right to create money “to a small group of erudite but ruthless

private bankers” *must* be reversed. Why? Because private banks create money as debt, on behalf of – themselves – which, for the most part, taxpayers pay for! This is referred to as bank-created money (BCM). On the other hand, public banks owned and operated by governments who presumably act ‘on behalf of the people,’ can create money as credit. This way of creating money is referred to as government-created money (GCM). What’s the difference?

## The Barrier of Ignorance

If a federal, public “Bank of the USA” were established – and used appropriately – we would be living in an entirely different socio-economic world, Hellyer argues, wherein the welfare of citizens and of the earth itself would be paramount. However, “...there are a number of obstacles to be overcome,” he says. “The first, and most formidable, is the nearly universal ignorance about the nature of money, what it is, and who prints (creates) it.”

Indeed. It is most unfortunate that many progressives and politicians misinterpret, downplay, or fundamentally misunderstand the enormous socio-economic and political power at stake in regards to whether money is created as debt – or as credit. This in itself, should peak the curiosity of those who seek ways to build a positive economy. *The Money Mafia* acts as educational source material, in that it provides the nuts-and-bolts details of how to do just that: care properly for citizens and protect the Earth.

## An Action Plan

Hellyer thereby proposes an Action Plan wherein we must regain control of our money supply through creating *more* GCM; and *less* BCM. Once that takes place, he says, “a massive infusion of government-created, debt-free money (GCM) [is needed] to dilute the debt and stimulate economic growth.” Is this suggestion any more outrageous than that of allowing the Fed & Co. to continue on unfettered in the pillage of national economies through debt-collection?

Yet, contemporary politics has it that “paying down the debt” supersedes concerns about health care, social programs, global warming, infrastructure, etc. But, as Hellyer points out, with sufficient credit, we could

do both! It need not be one *or* the other. Such GCM could be used, then, as Hellyer says, to “First cap and then reduce federal net debt as well as that of states, provinces, and municipalities.” Clearly, the reduction of government debt translates into more money being available for much-needed socio-environmental programs. GCM is the means whereby this end may be achieved.

## A Negative Economy

Through the course of the 20th century, organizations similar in outlook to the Fed arose, so strengthening what has come to be primarily a negative (debt-based) economy. Hellyer suggests we “End immediately the power of the BIS [Bank for International Settlements], the IMF [International Monetary Fund], the World Bank, the Fed and other central banks to destroy democratic institutions and ‘in the process’ Western civilization.” Strong words.

It could be argued that the creation of the Federal Reserve Bank in 1913 was the *foundation* for the emergence of the anti-democratic, greed-driven entities just named. Hellyer devotes a chapter each to the BIS, the IMF and the Fed.

## The New World Order (NWO)

Moreover, one might infer that the creation of the Fed also served as the foundation for the subsequent institutionalization of self-serving interests namely, the NWO, which Hellyer says “is being sold as a world of international rules and cooperation... their weapons are international agreements and money power, propaganda, and mind control.” Hellyer names the “Three Sisters” – the Council on Foreign Relations, the Bilderbergers, and the Trilateral Commission – as being central to promoting the ambitions of the NWO.

## The Three Sisters

The primary aim of the Council for Foreign Relations, Hellyer notes, “was [and still is] all-inclusive, a one-world economy dominated by the United States.” Hellyer quotes Daniel Estulin, author of *The True Story of the Bilderberg Group* (2007). “The Bilderbergers,” Estulin says, “envision a *socialist* welfare state, where obedient slaves will be rewarded and non-conformists targeted for extinction.” As to the Trilateral Commission, Hellyer says “It is elitist and anti-democratic. A 1975 Trilateral report ‘The Crisis of Democracy’ states:

“The vulnerability of democratic government in the US comes not primarily

from external threats, though such threats are real, not from internal subversion from the left or right, although both possibilities could exist, but rather from internal dynamics of democracy itself in a highly educated, mobilized and participant society.”

Hellyer exclaims: “Wow, the principal danger to democratic government is democracy! That is a concept you have to dig deep to come up with. What about the danger to democracy of actions taken by governments ‘elected’ by the people, but only after being chosen and installed to positions of leadership by these elite groups?”

### Politics: Choosing Presidents

Hellyer explains how this “choosing” occurs through the political power wielded by the Three Sisters to elect US presidents willing to abide by their wishes. For example, “when Carter became president, he named 17 ‘trilats’ to important positions in his administration.” Regan came through for the Three Sisters with the FTA; and after George Bush (senior) had his turn, Clinton – who attended the 1991 Bilderberg meeting – came along with NAFTA. Hellyer also devotes a chapter to the Military-Industrial Complex – an obvious – (perhaps a brother?) – to the Three Sisters....

### Globalization

According to Hellyer, the undemocratic aims of the members of the NWO are sugar-coated by mainstream media, gift-wrapped, and presented to the public through the *myth* of a sweet-tasting “globalization.” But the primary aims are bittersweet. Hellyer: “the reasons for globalization...can be summarized as follows: the elimination of the middle class by allowing multinational corporations to move; production jobs offshore to foreign producers; a reversal of hard-won trade union gains since WWII; and, *above all, the transfer of power to unelected, unaccountable, international bureaucrats under the control of the NWO clique.*” (Hellyer’s emphasis.)

Over time, with continual exposure to the NWO “philosophy” (but no corresponding, sustained opposing voices or debate), people have come to believe such propaganda.

### Think Tanks

Moreover, as Hellyer points out, a number of so-called think tanks supporting the NWO, comprised of individuals with supposedly impeccable academic credentials, have been established. There are many in

the US. The two primary “institutions” in Canada, constantly used as undisputed “authorities” by mainstream Canadian media, are the Frazer Institute (BC) and the C.D. Howe Institute (Toronto).

“In general, they believe that: the least government is the best government; nation states have outlived their usefulness; markets are infallible regulators of economic activity; the rich have no obligation to share their wealth with the poor on whom they depend for labour and as customers for their goods and services.”

### The Koch Brothers, Anyone?

Although Hellyer doesn’t mention the Koch brothers, it is worthwhile to note that they contributed \$500,000 to the Frazer Institute from 2007-2012 (*Vancouver Observer*, April 26/12). The Koch’s estimated net worth: over \$100 billion (Carol Gibson, *opednews.com*, September 17, 2014); they are a major player, if not the dominant investor in the tar sands (*Toronto Star*, July 6, 2014). They espouse a libertarian “free market ideology,” which fits in lock-step with the (1%) NWO.

### “Free” Trade Agreements

As the influence and control of the NWO strengthened, ambitions expanded to include nation-state resources – and their governments – through so-called, “free” trade agreements. Hellyer labels the Canada-US Free Trade Agreement – one of the first of such agreements – as “a template for the evolution of the NWO.... We pioneered a system where power was transferred from our elected representatives to foreign corporations.” Hellyer is equally critical of NAFTA, CETA, and particularly the TPP.

### Revisiting Occupy: Towards a Positive Economy

The Occupy Movement might consider as a strategy:

- *Exposing* the 1% NWO not only as being disproportionately wealthy, but as being the

beneficiaries of a debt-based negative economics;

- *Nationalizing* (or replacing) the Fed with a central “Public Bank of America”;

- *Creating* a credit-based positive economics beneficial to *everyone*, through the establishment and appropriate use of national public banks.

### Global Warming

Further, Hellyer states that GCM could

“Provide nation states with the fiscal flexibility to address global warming pretty damn quick before the magnitude of the damage becomes calamitous.” Beyond the destructive NWO constructs there is the RWO – the Real World Order – Mother Earth! Hellyer notes that the obvious starting-point for reducing *man-made* global warming is the development and use of clean energy sources. As to the claim that reducing global warming would ‘cost too much’ Hellyer refers to a lead editorial in *The Globe and Mail*, November 23, 2013, wherein Nicholas Stern, the World Bank former chief economist is cited:

“In fact, Stern argues that...it is doing too little too late that would have by far the more devastating impact on the global economy. He says that a weak global response to climate change in the next few decades could cause economic and social disruptions on a scale similar to those triggered by world wars and the Great Depression, but at a far higher cost than all of them combined.”

### Three Fundamental Problems

Hellyer says that there are three fundamental problems facing humankind; and that these problems are intertwined. The most pressing is man-made global warming, but the paradigm shift from a debt-based to a credit-based economy must take place first in order for global warming issues to be addressed, properly funded, and resolved.

Also, an integral part of reducing global warming has to do with clean energy technologies in large part provided, Hellyer says, by extraterrestrials – the third link in his perspective – for which he provides an impressive amount of history, documentation, information, and resources.

Overall, *The Money Mafia* is a superb analysis of where we’ve been throughout the 20th century since the Jekyll Island banking coup, where we are today (1% NWO), and where we could be tomorrow (Hellyer’s Action Plan).

Without control of its own money, Hellyer makes it clear – as did President Garfield – any nation state government is lost, adrift. Hellyer is meticulous and insistent in the presentation of his multi-faceted Action Plan for recovery, which emphasizes that the beginning point *must be* a rejuvenation of economies through a solid foundation of National Public Banks owned, operated, and controlled by governments which are “for the people” – not for the banks! But where is the political will to evaluate such a game-changing suggestion? It seems to be



wrapped up – stifled – by NWO lobbyists, mainstream media, like-minded think tanks and their offspring. Hellyer argues that it is therefore necessary to educate citizens, politicians, and progressives as to what's at stake.

But don't worry! You don't have to be an economist to understand the situation we are in today. All you need is common sense, and the ability to answer this question: "If you had your own bank (National Bank),

would you use it to fund, all but debt-free, your needs, or would you go down the street to some other (private) bank to borrow what you need as debt, at (substantial!) interest?"

Most nation-states do the latter, following in the Fed's footsteps. This is the preposterous – unbelievable – situation, Hellyer says, we are faced with today. Most people are unaware of the consequences of our negative, debt-based economy. In *The Money*

*Mafia*, Hellyer explains the situation very well. For those working to dissolve negative economies; and to develop socio-environmental policies and a "positive-economy" politics, *The Money Mafia* is a must read.

*John Riddell is a member of COMER and a veteran champion of money reform. He can be reached at his website: [www.monetaryandeconomicreform.ca](http://www.monetaryandeconomicreform.ca).*

## The New World of Retirement: Security for the Rich, Risk for Everyone Else

By Linda McQuaig, [www.ipolitics.ca/2014/07/30/retirement-for-the-rich-hardship-for-the-rest](http://www.ipolitics.ca/2014/07/30/retirement-for-the-rich-hardship-for-the-rest), July 30, 2014

Quaint as it now seems, not long ago this was considered a good basic plan: work hard all your life and then retire with a comfortable pension.

In recent times, a new plan has replaced it: Work hard all your life and then all bets are off.

The notion of retirement security in exchange for a lifetime of hard work – a central element in the implicit social contract between capital and labour in the postwar years – has been effectively tossed aside, as corporations have become more insatiable in their demands and governments have increasingly abandoned workers.

Stephen Harper's government hiked the eligibility age for Old Age Security benefits to 67, effectively depriving all future Canadian retirees of two years of basic retirement income.

And it has steadfastly refused to strengthen the Canada Pension Plan, leaving retired Canadians with an average income of \$18,000 a year in public pension benefits – far less than what a full-time minimum wage earner makes in Ontario.

And now, the Harper government is engaging in a fresh frontal assault on the retirement incomes of beleaguered Canadian workers.

In what amounts to a radical overhaul, it announced last April that it intends to change long-standing legislation governing workplace pensions in ways that would allow employers (private sector and Crown corporations) to walk away from pension commitments they made to employees, even after those employees have paid into the plans throughout their working years.

None of this has received much attention, although it could affect hundreds of

thousands of workers.

Income security for retired workers was one of the key benefits won by unions in the postwar era, allowing ordinary Canadians to plan their lives to ensure they wouldn't end up homeless, or sharing what their pets eat.

Workplace pensions were always expected to be a key part of that retirement security. Unlike many European countries, where public pensions were generous enough to serve as the centerpiece of a retiree's income, the Canadian government kept public pension benefits low and encouraged workers to rely on workplace pensions.

That worked fine for those who were able to negotiate workplace pensions with an employer – generally those who had a union to represent them. In such cases, both the employer and the employees typically contributed to the plan, under terms that specified what benefits would be paid out to employees in their retirement.

Employers now want to be able to fundamentally rewrite the terms of those workplace pension deals so that, if the market plunges and the pension fund declines, the pay-outs will be less – in effect, shifting the risk from the company to the retiree.

When it comes to new hires, many employers now offer only the new-style pensions. But the legislation proposed by Harper would create a way for employers to open up existing pension deals – effectively changing the rules in mid-stream, after workers have spent years paying into their plans.

There have been few objections from media commentators, who have ignored the change or treated it as simply a fait accompli, part of a new economic reality.

It's not a fait accompli, in fact. It involves the government changing laws, overturning legislation that was put in place to protect working people in an era when unions and workers had some political clout.

There's no evidence that the change is necessary for economic reasons, or to ensure the viability of corporations.

While the ongoing recession has left the workforce shaken and insecure, corporate Canada has made a stunning recovery since 2008. Profits are up dramatically, and Canadian corporations are now sitting on a stunning \$630 billion in cash holdings – which they are declining to invest.

None of this fabulous wealth is being shared with workers, who increasingly are expected to fend for themselves.

Perhaps this is simply part of a new mentality – of boldly embracing risk – that is integral to the global economy.

It's striking, however, that a bold embrace of risk is only expected of those in the lower echelons of the corporate world. At the top, executives cling to old-world notions – like securing comfortable retirements.

The Royal Bank, the country's largest bank, switched over to the new-style pension system in 2011, so that all new employees will be obliged to face a risky pension future.

RBC CEO Gordon Nixon didn't see the need to modify his own pension deal, however. When he retires later this week at the age of 57, he'll receive a pension of \$1.68 million a year, which will rise to an even more comfortable \$2 million a year when he turns 65.

And he'll be able to count on that stipend – which works out to more than \$5,000 a day – for the rest of his life.

Risk may be good for those lower down the ladder but, for those at the top, guaranteed lifetime abundance apparently still has its place in the global economy.

### Our Comment

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# A Practical Utopian's Guide to the Coming Collapse

By David Graeber, *The Baffler* no. 22, 2013

What is a revolution? We used to think we knew. Revolutions were seizures of power by popular forces aiming to transform the very nature of the political, social, and economic system in the country in which the revolution took place, usually according to some visionary dream of a just society. Nowadays, we live in an age when, if rebel armies do come sweeping into a city, or mass uprisings overthrow a dictator, it's unlikely to have any such implications; when profound social transformation does occur – as with, say, the rise of feminism – it's likely to take an entirely different form. It's not that revolutionary dreams aren't out there. But contemporary revolutionaries rarely think they can bring them into being by some modern-day equivalent of storming the Bastille.

Already by the time of the French Revolution, Wallerstein notes, there was a single world market, and increasingly a single world political system as well, dominated by the huge colonial empires. As a result, the storming of the Bastille in Paris could well end up having effects on Denmark, or even Egypt, just as profound as on France itself – in some cases, even more so. Hence he speaks of the “world revolution of 1789,” followed by the “world revolution of 1848,” which saw revolutions break out almost simultaneously in fifty countries, from Wallachia to Brazil. In no case did the revolutionaries succeed in taking power, but afterward, institutions inspired by the French Revolution – notably, universal systems of primary education – were put in place pretty much everywhere. Similarly, the Russian Revolution of 1917 was a world revolution ultimately responsible for the New Deal and European welfare states as much as for Soviet communism. The last in the series was the world revolution of 1968 – which, much like 1848, broke out almost everywhere, from China to Mexico, seized power nowhere, but nonetheless changed everything. This was a revolution against state bureaucracies, and for the inseparability of personal and political liberation, whose most lasting legacy will likely be the birth of modern feminism. At moments like this, it generally pays to go back to the history

one already knows and ask: Were revolutions ever really what we thought them to be? For me, the person who has asked this most effectively is the great world historian Immanuel Wallerstein. He argues that for the last quarter millennium or so, revolutions have consisted above all of planetwide transformations of political common sense.

*A quarter of the American population is now engaged in “guard labor” – defending property, supervising work, or otherwise keeping their fellow Americans in line.*

Revolutions are thus planetary phenomena. But there is more. What they really do is transform basic assumptions about what politics is ultimately about. In the wake of a revolution, ideas that had been considered veritably lunatic fringe quickly become the accepted currency of debate. Before the French Revolution, the ideas that change is good, that government policy is the proper way to manage it, and that governments derive their authority from an entity called “the people” were considered the sorts of things one might hear from crackpots and demagogues, or at best a handful of freethinking intellectuals who spend their time debating in cafés. A generation later, even the stuffiest magistrates, priests, and headmasters had to at least pay lip service to these ideas. Before long, we had reached the situation we are in today: that it's necessary to lay out the terms for anyone to even notice they are there. They've become common sense, the very grounds of political discussion.

Until 1968, most world revolutions really just introduced practical refinements: an expanded franchise, universal primary education, the welfare state. The world revolution of 1968, in contrast – whether it took the form it did in China, of a revolt by students and young cadres supporting Mao's call for a Cultural Revolution; or in Berkeley and New York, where it marked an alliance of students, dropouts, and cultural rebels; or even in Paris, where it was an alliance of students and workers – was a rebellion against bureaucracy, conformity, or anything that fettered the human imagination, a project for the revolutionizing of not just political or economic life, but every aspect of human existence. As a result, in most cases, the rebels didn't even try to take over the apparatus of state; they saw that apparatus as itself the problem.

It's fashionable nowadays to view the social movements of the late sixties as an embarrassing failure. A case can be made for that view. It's certainly true that in the political sphere, the immediate beneficiary of any widespread change in political common sense – a prioritizing of ideals of individual liberty, imagination, and desire; a hatred of bureaucracy; and suspicions about the role of government – was the political Right. Above all, the movements of the sixties allowed for the mass revival of free market doctrines that had largely been abandoned since the nineteenth century. It's no coincidence that the same generation who, as teenagers, made the Cultural Revolution in China was the one who, as forty-year-olds, presided over the introduction of capitalism. Since the eighties, “freedom” has come to mean “the market,” and “the market” has come to be seen as identical with capitalism – even, ironically, in places like China, which had known sophisticated markets for thousands of years, but rarely anything that could be described as capitalism.

The ironies are endless. While the new free market ideology has framed itself above all as a rejection of bureaucracy, it has, in fact, been responsible for the first administrative system that has operated on a planetary scale, with its endless layering of public and private bureaucracies: the IMF, World Bank, WTO, trade organizations, financial institutions, transnational corporations, NGOs. This is precisely the system that has imposed free market orthodoxy, and opened the world to financial pillage, under the watchful aegis of American arms. It only made sense that the first attempt to recreate a global revolutionary movement, the Global Justice Movement that peaked between 1998 and 2003, was effectively a rebellion against the rule of that very planetary bureaucracy.

## Future Stop

In retrospect, though, I think that later historians will conclude that the legacy of the sixties revolution was deeper than we now imagine, and that the triumph of capitalist markets and their various planetary administrators and enforcers – which seemed so epochal and permanent in the wake of the collapse of the Soviet Union in 1991 – was, in fact, far shallower.

I'll take an obvious example. One often hears that antiwar protests in the late sixties and early seventies were ultimately failures, since they did not appreciably speed up the US withdrawal from Indochina. But after-

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ward, those controlling US foreign policy were so anxious about being met with similar popular unrest – and even more, with unrest within the military itself, which was genuinely falling apart by the early seventies – that they refused to commit US forces to any major ground conflict for almost thirty years. It took 9/11, an attack that led to thousands of civilian deaths on US soil, to fully overcome the notorious “Vietnam syndrome” – and even then, the war planners made an almost obsessive effort to ensure the wars were effectively protest-proof. Propaganda was incessant, the media was brought on board, experts provided exact calculations on body bag counts (how many US casualties it would take to stir mass opposition), and the rules of engagement were carefully written to keep the count below that.

The problem was that since those rules of engagement ensured that thousands of women, children, and old people would end up “collateral damage” in order to minimize deaths and injuries to US soldiers, this meant that in Iraq and Afghanistan, intense hatred for the occupying forces would pretty much guarantee that the United States couldn't obtain its military objectives. And remarkably, the war planners seemed to be aware of this. It didn't matter. They considered it far more important to prevent effective opposition at home than to actually win the war. It's as if American forces in Iraq were ultimately defeated by the ghost of Abbie Hoffman.

Clearly, an antiwar movement in the sixties that is still tying the hands of US military planners in 2012 can hardly be considered a failure. But it raises an intriguing question: What happens when the creation of that sense of failure, of the complete ineffectiveness of political action against the system, becomes the chief objective of those in power?

Is it possible that this pre-emptive attitude toward social movements, the designing of wars and trade summits in such a way that preventing effective opposition is considered more of a priority than the success of the war or summit itself, really reflects a more general principle? What if those currently running the system, most of whom witnessed the unrest of the sixties firsthand as impressionable youngsters, are – consciously or unconsciously (and I suspect it's more conscious than not) – obsessed by the prospect of revolutionary social movements once again challenging prevailing common sense? The thought first occurred to me when participating in the IMF actions

in Washington, DC, in 2002. Coming on the heels of 9/11, we were relatively few and ineffective, the number of police overwhelming. There was no sense that we could succeed in shutting down the meetings. Most of us left feeling vaguely depressed. It was only a few days later, when I talked to someone who had friends attending the meetings, that I learned we had in fact shut them down: the police had introduced such stringent security measures, cancelling half the events, that most of the actual meetings had been carried out online. In other words, the government had decided it was more important for protesters to walk away feeling like failures than for the IMF meetings to take place. If you think about it, they afforded protesters extraordinary importance.

It would explain a lot. In most of the world, the last thirty years has come to be known as the age of neoliberalism – one dominated by a revival of the long-since-abandoned nineteenth-century creed that held that free markets and human freedom in general were ultimately the same thing. Neoliberalism has always been wracked by a central paradox. It declares that economic imperatives are to take priority over all others. Politics itself is just a matter of creating the conditions for *growing the economy* by allowing the magic of the marketplace to do its work. All other hopes and dreams – of equality, of security – are to be sacrificed for the primary goal of economic productivity. But global economic performance over the last thirty years has been decidedly mediocre. With one or two spectacular exceptions (notably China, which significantly ignored most neoliberal prescriptions), growth rates have been far below what they were in the days of the old-fashioned, state-directed, welfare-state-oriented capitalism of the fifties, sixties, and even seventies. By its own standards, then, the project was already a colossal failure even before the 2008 collapse.

If, on the other hand, we stop taking world leaders at their word and instead think of neoliberalism as a political project, it suddenly looks spectacularly effective. The politicians, CEOs, trade bureaucrats, and so forth who regularly meet at summits like Davos or the G20 may have done a miserable job in creating a world capitalist economy that meets the needs of a majority of the world's inhabitants (let alone produces hope, happiness, security, or meaning), but they have succeeded magnificently in convincing the world that capitalism – and not just capitalism, but exactly the financialized, semifeudal capitalism we hap-

pen to have right now – is the only viable economic system. If you think about it, this is a remarkable accomplishment.

*Debt cancellation would make the perfect revolutionary demand.*

How did they pull it off? The preemptive attitude toward social movements is clearly a part of it; under no conditions can alternatives, or anyone proposing alternatives, be seen to experience success. This helps explain the almost unimaginable investment in “security systems” of one sort or another: the fact that the United States, which lacks any major rival, spends more on its military and intelligence than it did during the Cold War, along with the almost dazzling accumulation of private security agencies, intelligence agencies, militarized police, guards, and mercenaries. Then there are the propaganda organs, including a massive media industry that did not even exist before the sixties, celebrating police. Mostly these systems do not so much attack dissidents directly as contribute to a pervasive climate of fear, jingoistic conformity, life insecurity, and simple despair that makes any thought of changing the world seem an idle fantasy. Yet these security systems are also extremely expensive. Some economists estimate that a quarter of the American population is now engaged in “guard labor” of one sort or another – defending property, supervising work, or otherwise keeping their fellow Americans in line. Economically, most of this disciplinary apparatus is pure deadweight.

In fact, most of the economic innovations of the last thirty years make more sense politically than economically. Eliminating guaranteed life employment for precarious contracts doesn't really create a more effective workforce, but it is extraordinarily effective in destroying unions and otherwise depoliticizing labor. The same can be said of endlessly increasing working hours. No one has much time for political activity if they're working sixty-hour weeks.

It does often seem that, whenever there is a choice between one option that makes capitalism seem the only possible economic system, and another that would actually make capitalism a more viable economic system, neoliberalism means always choosing the former. The combined result is a relentless campaign against the human imagination. Or, to be more precise: imagination, desire, individual creativity, all those things that were to be liberated in the last great world revolution, were to be contained strictly in the domain of consumerism, or

perhaps in the virtual realities of the Internet. In all other realms they were to be strictly banished. We are talking about the murdering of dreams, the imposition of an apparatus of hopelessness, designed to squelch any sense of an alternative future. Yet as a result of putting virtually all their efforts in one political basket, we are left in the bizarre situation of watching the capitalist system crumbling before our very eyes, at just the moment everyone had finally concluded no other system would be possible.

### **Work It Out, Slow It Down**

Normally, when you challenge the conventional wisdom – that the current economic and political system is the only possible one – the first reaction you are likely to get is a demand for a detailed architectural blueprint of how an alternative system would work, down to the nature of its financial instruments, energy supplies, and policies of sewer maintenance. Next, you are likely to be asked for a detailed program of how this system will be brought into existence. Historically, this is ridiculous. When has social change ever happened according to someone's blueprint? It's not as if a small circle of visionaries in Renaissance Florence conceived of something they called “capitalism,” figured out the details of how the stock exchange and factories would someday work, and then put in place a program to bring their visions into reality. In fact, the idea is so absurd we might well ask ourselves how it ever occurred to us to imagine this is how change happens to begin.

This is not to say there's anything wrong with utopian visions. Or even blueprints. They just need to be kept in their place. The theorist Michael Albert has worked out a detailed plan for how a modern economy could run without money on a democratic, participatory basis. I think this is an important achievement – not because I think that exact model could ever be instituted, in exactly the form in which he describes it, but because it makes it impossible to say that such a thing is inconceivable. Still, such models can be only thought experiments. We cannot really conceive of the problems that will arise when we start trying to build a free society. What now seem likely to be the thorniest problems might not be problems at all; others that never even occurred to us might prove devilishly difficult. There are innumerable X-factors.

The most obvious is technology. This is the reason it's so absurd to imagine activists in Renaissance Italy coming up with a mod-

el for a stock exchange and factories – what happened was based on all sorts of technologies that they couldn't have anticipated, but which in part only emerged because society began to move in the direction that it did. This might explain, for instance, why so many of the more compelling visions of an anarchist society have been produced by science fiction writers (Ursula K. Le Guin, Starhawk, Kim Stanley Robinson). In fiction, you are at least admitting the technological aspect is guesswork.

Myself, I am less interested in deciding what sort of economic system we should have in a free society than in creating the means by which people can make such decisions for themselves. What might a revolution in common sense actually look like? I don't know, but I can think of any number of pieces of conventional wisdom that surely need challenging if we are to create any sort of viable free society. I've already explored one – the nature of money and debt – in some detail in a recent book. I even suggested a debt jubilee, a general cancellation, in part just to bring home that money is really just a human product, a set of promises, that by its nature can always be renegotiated.

What would remain is the kind of work only human beings will ever be able to do: those forms of caring and helping labor that are at the very center of the crisis that brought about Occupy Wall Street to begin with. What would happen if we stopped acting as if the primordial form of work is laboring at a production line, or wheat field, or iron foundry, or even in an office cubicle, and instead started from a mother, a teacher, or a caregiver? We might be forced to conclude that the real business of human life is not contributing toward something called “the economy” (a concept that didn't even exist three hundred years ago), but the fact that we are all, and have always been, projects of mutual creation.

Labor, similarly, should be renegotiated. Submitting oneself to labor discipline – supervision, control, even the self-control of the ambitious self-employed – does not make one a better person. In most really important ways, it probably makes one worse. To undergo it is a misfortune that at best is sometimes necessary. Yet it's only when we reject the idea that such labor is virtuous in itself that we can start to ask what is virtuous about labor. To which the answer is obvious. Labor is virtuous if it helps others. A renegotiated definition of productivity should make it easier to reimagine the very nature of what work is, since, among other things,

it will mean that technological development will be redirected less toward creating ever more consumer products and ever more disciplined labor, and more toward eliminating those forms of labor entirely.

At the moment, probably the most pressing need is simply to slow down the engines of productivity. This might seem a strange thing to say – our knee-jerk reaction to every crisis is to assume the solution is for everyone to work even more, though of course, this kind of reaction is really precisely the problem – but if you consider the overall state of the world, the conclusion becomes obvious. We seem to be facing two insoluble problems. On the one hand, we have witnessed an endless series of global debt crises, which have grown only more and more severe since the seventies, to the point where the overall burden of debt – sovereign, municipal, corporate, personal – is obviously unsustainable. On the other, we have an ecological crisis, a galloping process of climate change that is threatening to throw the entire planet into drought, floods, chaos, starvation, and war. The two might seem unrelated. But ultimately they are the same. What is debt, after all, but the promise of future productivity? Saying that global debt levels keep rising is simply another way of saying that, as a collectivity, human beings are promising each other to produce an even greater volume of goods and services in the future than they are creating now. But even current levels are clearly unsustainable. They are precisely what's destroying the planet, at an ever-increasing pace.

Even those running the system are reluctantly beginning to conclude that some kind of mass debt cancellation – some kind of jubilee – is inevitable. The real political struggle is going to be over the form that it takes. Well, isn't the obvious thing to address both problems simultaneously? Why not a planetary debt cancellation, as broad

as practically possible, followed by a mass reduction in working hours: a four-hour day, perhaps, or a guaranteed five-month vacation? This might not only save the planet but also (since it's not like everyone would just be sitting around in their newfound hours of freedom) begin to change our basic conceptions of what value-creating labor might actually be.

Occupy was surely right not to make demands, but if I were to have to formulate one, that would be it. After all, this would be an attack on the dominant ideology at its very strongest points. The morality of debt and the morality of work are the most powerful ideological weapons in the hands of those running the current system. That's why they cling to them even as they are effectively destroying everything else. It's also why debt cancellation would make the perfect revolutionary demand.

All this might still seem very distant. At the moment, the planet might seem poised more for a series of unprecedented catastrophes than for the kind of broad moral and political transformation that would open the way to such a world. But if we are going to have any chance of heading off those catastrophes, we're going to have to change our accustomed ways of thinking. And as the events of 2011 reveal, the age of revolutions is by no means over. The human imagination stubbornly refuses to die. And the moment any significant number of people simultaneously shake off the shackles that have been placed on that collective imagination, even our most deeply inculcated assumptions about what is and is not politically possible have been known to crumble overnight.

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*This article is an excerpt from *The Democracy Project: A History, a Crisis, a Movement*, by David Graeber.*

## Our Comment

David Graeber guides us through a wide-ranging exploration of social change, at a stimulating and motivating level of thinking.

From the need to question what “we used to think we knew,” he proceeds to the importance of the long view. In the context of history, we gain new insights into the continuity and characteristics of change. “Revolutions are planetary phenomena” that “transform basic assumptions about what politics is ultimately about.”

Like John Kenneth Galbraith who, in the early seventies, asserted that there must be change, Graeber recognizes that the new is already present, before the old finally falls away. Thus, the capitalist system is “crumbling” while most still believe that it is the only one possible.

What has changed is that “revolutions have become a project for revolutionizing not just political or economic life but every aspect of human existence,” and “contemporary revolutionaries,” realize that “storming the Bastille” is not the way to accomplish change.

His description of how ideas erupt into revolutions, then sink below apparent failure until they filter into the general consciousness as “common sense,” is a prescription for patience as a quality essential to today's revolutionary.

He also stresses what Galbraith identified as, “the emancipation of belief.” Changing our “accustomed ways of thinking” is key.

Today's greatest revolution is this shift to a new level of thinking.

That requires imagination and vision, and the courage to challenge conventional wisdom – to re-think what we think we know – like our traditional ideas about money and labour. It will shake up our priorities putting, for example, *living above making a living*. It puts the notion of failure into a perspective that will make us less vulnerable to its exploitation.

Someone has said, “there are those who *watch* change happen; there are those who *make* change happen; and there are those who never knew what hit them.”

With logic, historic evidence, and example, Graeber has left us with much to consider regarding how to go about *making* change happen. We come away also, inspired by a renewed faith that *we can make change happen!*

*Élan*