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CONTENTS

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"Tweaking" with Trump

Free at last! Canada without NAFTA

By David Orchard, commonground.ca, February 2, 2017

John A. Macdonald called free trade with the US "veiled treason." A century later, Pierre Elliott Trudeau called the FTA a "monstrous swindle."

Donald Trump has said he intends to renegotiate or cancel the North American Free Trade Agreement (NAFTA). This would be good news if we take the opportunity to get out of the NAFTA straitjacket and begin using Canadian resources for the benefit of Canadians. Under the Canada-US Free Trade Agreement (FTA) – chapters 4 and 9 and NAFTA chapter 6 – Canada gave the US the right to take the same proportion of any good, including all forms of energy, that it was taking over the previous three years, even if Canada itself goes short. The US is now taking about 60% of our oil production and with the prospect of large new pipelines to the US, which cripples the idea of an east-west pan-Canadian line because we have a finite supply of oil, that percentage will rise. Under (NA)FTA, the US has the right to continue taking this 60%, and more, of our total supply, in perpetuity. Further, Canada has agreed to never charge the US more for any good, including all forms of energy, than it charges Canadians.

Meanwhile, in addition to charging some of the world's lowest royalty rates, we are selling our oil to the US at far less than the world price – a subsidy from Canada to the US of roughly $30 billion per year – while Canada pays some $10 billion a year to import foreign oil, mostly from Saudi Arabia and the US, into eastern Canada at world price. Does that make sense?

No self-respecting country would, as Canada did under Brian Mulroney and Jean Chrétien, sign away its resources, its sovereignty and its future in this way and most Canadians are still unaware our country has done so. (Mexico refused to sign these energy sections in NAFTA and exempted itself from their terms.)

Eighty percent of the world's oil resources are held by state-controlled oil companies. Yet, in the 1990s, Progressive Conservative and Liberal governments privatized and sold our national oil company, Petro-Canada, which in a few years had grown to become one of Canada's largest companies. Norway, which has less oil than Canada, voted to stay out of the EU and today has a trillion dollar (and growing) surplus. It has used its oil and its national oil company, Statoil, to make Norwegians the richest people on Earth with free childcare, free dental care for everyone under 18, free university education and generous old age pensions. There is zero government debt and homelessness is virtually non-existent.

By contrast, Canada, a far richer country than Norway, has massive provincial and federal debt, totalling some $1.2 trillion, after decades of pouring increasing amounts of oil, gas and other resources across the border. The provinces are desperately offering to sell off profitable crown corporations to pay their bills, while also implementing huge budget cuts. Canada has miserly old age pensions, high university tuition and no national free pharmacare, childcare or dental care.

If we continue in this way, the resources will be gone. Norway will hand its savings to its grandchildren, but what will we say to our generations to come?

Algeria used its oil to build Sonatrach into the largest company in Africa. Mexico's

Continued on page 2

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FOUNDING EDITOR
John Hotson 1930–1996

PUBLISHER–EDITOR
William Krehm
(comerpub@rogers.com)

INFORMATION SECRETARY
Herb Wiseman
(herb.wiseman@gmail.com)

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Trump *from page 1*

publicly owned national oil company, Pemex, is Latin America's second largest company, producing 40% of Mexico's federal government revenue. Italy's state controlled oil and gas giant, ENI, brings in $150 billion a year. Brazil's publicly controlled Petrobras has grown into a world leader of advanced technology, the southern hemisphere's largest company; its power kept Brazil's stock market steady during the 2008 whiplash. Libya, until it was subjected to a horrific US-led NATO attack in 2013, in which Canada played a significant role, used its oil revenue to move its citizens from the poorest in the world in 1960 to the highest standard of living in Africa.

NAFTA's Chapter 11 contains a dispute settlement provision allowing US and Mexican corporations to sue Canada for any law or regulation, which they think causes them "loss or damage" and which they feel breaches the spirit of NAFTA.

These disputes are not heard by Canadian judges in Canadian courts, but by special tribunals operating behind closed doors, using not Canadian law, but NAFTA rules. There is no right of appeal. Since 1994, Canada has been sued 35 times by US corporations under NAFTA, reversed several of its laws, paid out $200 million in NAFTA fines and faces claims of $6 billion more. The US has not lost a single case.

(NA)FTA gave US corporations sweeping rights to buy up most of the Canadian economy. Called "national treatment," it prohibits Canada from restricting or screening new US investment in Canada and grants American investors, citizens and corporations the right to be treated as if they were Canadian citizens. With a low dollar and low interest rates, the wholesale takeover of Canadian companies is proceeding in a torrent. Our standard of living and real wages have declined, jobs and factories have disappeared and almost a million Canadians now use food banks.

Freed from (NA)FTA, Canada could go on to use its natural resources to create Canadian owned and controlled industries, with all the benefits and security that could mean for Canadians. Instead of spending hundreds of billions of dollars on foreign machinery, electronics, ships, aircraft and jet fighters, we could build our own. We once created the world's most advanced jet fighter, the Avro Arrow, so we know it can be done. Canada is a huge market for foreign automobiles. Countries from Korea to Italy and Sweden, far smaller than Canada, with a fraction of our resources, have built their own auto industries. So could we.

Our founding fathers would be outraged at the giveaway of our raw resources and the casual sale of our railways and iconic corporations: from Hudson's Bay to Stelco, the dismantling of the Canadian Wheat Board, built by western farmers and given away for a song, and Nortel, Canada's giant, high tech powerhouse, allowed to go down, its parts picked up by Google and its other foreign competitors.

For 150 years, great Canadian leaders have warned that, without an economic border, Canada would not long have a political border with the US. John A. Macdonald called free trade with the US "veiled treason." A century later, Pierre Elliott Trudeau called the FTA a "monstrous swindle."

Both John A. Macdonald and Georges-Étienne Cartier were determined to build Canada into "a northern power," a competitor to the US, not a resource colony. We can see their vision in the magnificent Parliament buildings they left us, the world class railways they built to bind the country together and one of the world's longest lasting and most admired constitutions.

The idea that Canada would sign away its precious non-renewable resources to another country, our greatest competitor, and that it would allow itself, at the whim of foreign corporations, to be sued for following its own goals, would have been unthinkable to our founders. Let's take this chance to get out of these destructive agreements, the FTA and NAFTA, stand on our own two feet and make Canada an independent power on the world stage.

David Orchard is a farmer and the author of The Fight for Canada: Four Centuries of Resistance to American Expansionism. *davidorchard.com. davidorchard@sasktel.net.*

Free at Last!

Those of us who campaigned from door-to door against the proposed North American Free Trade Agreement (NAFTA), found that many Canadians seemed to know little or nothing about its provisions, but had somehow got the idea that it was about enabling them to buy goods more cheaply in the US than in Canada, without having to pay duty on them.

David Orchard's organization was outstanding in its efforts to spread the truth about the deal.

How many Canadians would have, knowingly, agreed to any such provisions as these – *in perpetuity?* The notorious Chapter 11 provision and its impact reminds one of a Roman Colosseum scoreboard: lions 10; Christians 0.

As William Krehm would put it, after you signed away "your country's resources, its sovereignty and its future in this way," what do you do for an encore?! And who would have thought that the conservatives and the liberals would have so much in common as to *both* aid and abet the conversion of their nation into a "resource colony"?

Donald Trump has favoured us with an opportunity to do what we should have done in the first place – to look into, then reject such an agreement.

No one is opposed to trade! But, as David reminds us, "free trade" is *less than free, and more than trade.*

We need an accurate, cost/benefit account of the fruits of NAFTA and of who exactly got what.

Surely, we deserve the time, and a reasonable access to information and discussion necessary to probe the pros and cons of cancellation.

It will take more than a "tweak" to transform NAFTA from a "corporate bill of rights," into an honest trade deal.

Élan

Energy Leaders Defend Free Trade

By Shawn McCarthy Houston, The Globe and Mail, March 7, 2017

Top North American energy executives made a plea for continued North American free trade at a high-profile conference where Prime Minister Justin Trudeau will deliver a keynote speech later this week.

In separate sessions, Enbridge Inc. chief executive Al Monaco and Exxon Mobil Corp.'s Darren Woods argued industry and consumers are best served by open markets and free trade.

Asked about the Trump administration's plan to reopen the North American free-trade agreement, Mr. Monaco said it is too early to know the impact on his Calgary-based company, which is now the continent's largest energy infrastructure operator.

"One thing I do know, the value from the integrated energy market between the two countries is unquestionable," he said. "And at the end of the day, you go back to first principles and that should drive good outcomes for both countries."

Enbridge completed its $28 billion (US) acquisition of Houston-based Spectra Energy Corp. this past month, giving it a continent-wide network of oil-and-gas pipelines, local distribution companies and processing plants. It is also awaiting regulatory approval from the state of Minnesota to dramatically expand its main crude-export line from Alberta to the US Midwest, and from there connecting to the Gulf Coast.

Mr. Monaco said he is confident that project won't be affected by President Donald Trump's executive order to require US steel to be used in US pipelines. The White House said last week that it would exempt TransCanada Corp. and its Keystone XL project from that order.

In addition to Mr. Trudeau, Natural Resources Minister Jim Carr and Alberta Premier Rachel Notley will speak at the IHS Markit's CERAWeek conference this week. Mr. Carr was hoping to meet with newly confirmed Energy Secretary Rick Perry.

Mr. Monaco praised the effort of federal and provincial governments to ensure Canada's interests are protected as the Trump administration considers trade and taxation proposals that could hurt the Canadian economy. That includes a renegotiation of NAFTA and a potential border-adjustment tax that is being proposed by Republican leaders in the House of Representatives as part of an overall tax reform that would slash corporate rates.

However, the Enbridge CEO said governments in Canada need to ensure that the cumulative impact of their policies – including carbon pricing and other climate regulations – do not undermine the competitiveness of energy producers.

Exxon Mobil's Mr. Woods also endorsed free-trade policies that ensure an easy flow of energy commodities, investment and capital goods needed to develop projects.

"It's hard to be in the oil business and not support open and free markets and free trade," Mr. Woods told the conference. "The world benefits with free and open trade." However, he supported Mr. Trump's demand that trade deals must also be "fair."

Exxon Mobil has refocused its business on the Gulf Coast, with an announcement Monday that it will invest $20 billion in petrochemical manufacturing over the next 10 years, after completing a $5.6 billion acquisition in the prolific shale oil Permian Basin in West Texas.

Mr. Woods said its acquisition yielded 3.5 billion barrels of reserves with a total of 60 billion barrels of oil in place that could be recovered with advancing technology and higher prices.

The company also wrote off 3.5 billion barrels of its oil sands reserves, saying they were uneconomic at prices that prevailed last year.

The Permian has become the top draw for capital and drilling among the US shale oil fields. Half of the US drilling rigs brought back into service since the industry hit bottom in May, 2016, have been targeted to the Permian, Genscape Inc. analyst Jodi Quinnell said in a blog post.

The International Energy Agency projected US shale oil production will make a strong comeback and grow by 1.4 million barrels a day over the next five years, assuming a price average around $60 a barrel.

But the Paris-based agency said global supply growth may not keep up with rising demand, unless major new projects are approved soon. Prices could spike higher after 2020 due to the lack of capital investment in key producing regions.

While capital spending on US shale production is climbing, "early indications of global spending for 2017 are not encouraging," the IEA said.

"Unless investments globally rebound sharply, a new period of price volatility is on the horizon," IEA executive director Fatih Birol said Monday at the IHS Markit's CERAWeek conference.

Our Comment

There we have it – straight from the energy leaders! "Industry and consumers are best served by open markets and free trade."

Mind you, "it's hard to be in the oil business and not support open and free markets and free trade."

What, I wonder, are those "first principles at the end of the day"?

Pity, the concern for Canada's interests should stop short of things like climate regulations that might "undermine the competitiveness of energy producers"!

Élan

What Will Trump Want from Canada on NAFTA? A US Document May Offer Clues

By Alexander Panetta, The Canadian Press, February 3, 2017

Experts expect US to seek increases in North American content requirement for auto parts

Wondering what the Americans might want from Canada in a renegotiation of the North American Free Trade Agreement?

Multiple clues might be embedded in a document published by the US government.

The US publishes an annual list of complaints about trade practices in other countries. This list was cited in a policy paper written for the Trump campaign by Wilbur Ross and Peter Navarro – both of whom now have senior administration roles.

Ross is the incoming commerce secretary and Navarro is President Donald Trump's top trade adviser. When Trump announced this week that negotiations will start soon, Ross was seated next to him.

In their paper, Ross and Navarro complained about trade deals like NAFTA and China's entry into the World Trade Organization being poorly negotiated. They cited, as evidence, the findings of the annual report.

"One need look no further than the lengthy list of transgressions detailed in the National Trade Estimate for examples," said the September paper.

Several trade experts interviewed by The Canadian Press agreed that the list will form the backbone of the US negotiating position: "That's the starting point right there," said Gary Hufbauer of Washington's Peterson Institute for International Economics.

"That's the laundry list."

The Canadian government has been clear about some of what it wants in upcoming trade negotiations: greater certainty on softwood lumber, more access to US public construction projects, and upgraded worker-mobility rights.

The Trump team, however, has said little about Canada.

One likely American priority involves car parts, several NAFTA experts predict. They expect the US to seek increases in North American content requirements, which could attract some production here from Asia.

Yet the devil is in the details, said a former Canadian government official who worked on negotiations for the 2009 auto bailout. Will the US hit its neighbours with a specific quota for American content? Will the changes drive up car prices?

"It's all in the way you write the rules," said Eric Miller, who now runs a consulting firm, Rideau Potomac Strategy Group.

One thing that he, Hufbauer, and Dentons trade lawyer Alan Wolff, who worked on numerous steel cases with incoming US Trade Representative Robert Lighthizer, all agree on is that the National Trade Estimate's annual report on foreign barriers is a valuable guide post.

The US begins its trade negotiations by consulting American companies, seeking their input. And that's what this document is – input from US companies on unwelcome trade practices from other countries. Its 2016 edition has eight pages on Canada.

Here's what it says:

• Cheese and dairy: Canada's regulations on compositional standards restrict access to the Canadian market for US dry milk proteins. The report says Canada limits imports by providing milk components at discounted prices to domestic processors.

• Supply management: Canada limits imports of dairy, chicken, turkey, and eggs. The report says US imports above quota levels face big tariffs – 245 percent for cheese, 298 percent for butter. "(This) inflates the prices Canadians pay for dairy and poultry."

• Wine and liquor: Canadians get taxed on imports of US alcohol upon returning from US trips, the report says. "This inhibits Canadians from purchasing US alcoholic beverages while (travelling)." To boot, most provinces restrict sales of wine, beer, and spirits to provincial liquor boards, which have a monopoly. BC and Ontario also have grocery-store restrictions.

• Retail: Canadians have stricter rules on what they can bring home from a vacation duty-free. They also are allowed to buy far less online duty-free from abroad. Canadians pay a customs fee when importing anything over $20 from online purchases – for Americans, the limit is $800.

• Aerospace: The report mentions several Canadian initiatives helping the industry, and specifically refers to Bombardier Inc. as a company worth monitoring carefully.

• Intellectual property: The report calls enforcement of intellectual property rights a continuing priority in relations with Canada. It doesn't get specific, but pharmaceuticals are one recurring irritant.

• Procurement: Not all Canadian Crown corporations are open to US product suppliers. "Hydro-Quebec…can pose hurdles for US companies in the renewable energy sector."

• Telecommunications: Canada maintains a 46.7 percent limit on foreign ownership of major telecommunications suppliers. The report says: "This is one of the most restrictive regimes among developed countries."

• Seeds and grain: Canada's *Seeds Act* generally prohibits the sale or advertising for sale or import into Canada of various seeds. Also, US wheat and barley exporters struggle to receive a premium grade that indicates use for milling purposes.

• Cloud computing: The Canadian government wouldn't allow American cloud-computing services to compete for a contract to store federal data, like emails. The cited reason was national security. The report says that, under such logic, US companies could be frozen out of all public-sector work – one-third of Canada's market.

Wolff predicts many issues will wind up on the negotiating table.

While Canada has suggested its preference would be a small, targeted renegotiation of NAFTA, Wolff, a onetime senior US trade negotiator, said that the rule of thumb in important negotiations is that topics get added over time.

Some may not even involve Canada.

Some US requests might be aimed at enshrining principles for future trade deals. Wolff cited currency manipulation as one example, as well as the rules on state-owned enterprises in the ill-fated Trans-Pacific Partnership, which were aimed at Vietnam in the short term, with a longer-term eye on future deals with China.

"Once you get into negotiations it tends to broaden, not narrow," Wolff said.

He made one more prediction – that Canadians would like many of the changes: "The net result is likely to be far more positive for Canada-US relations than it is currently. Because it's a chance to improve things."

Our Comment

First of all, he wants "to speed it up if possible" (Canada, "US to Forge Ahead on NAFTA Talks Without Mexico," *The Globe and Mail*, February 16, 2017.). What's the hurry? Secondly, he wants to deal with Canada first, "leaving Mexico essentially to fend for itself."

"According to one of the principal players…then, the Americans can say to the Mexicans, 'we have this negotiated with the Canadians, are you okay with this?'" (One has to wish them luck should they say "no"!)

The Mexicans, on the other hand, believe that "Canadians and Mexicans must maintain a united front in confronting

> **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.

US President Donald Trump…because, as Mexico's Economy Minister says, [they] stand to gain more together than [they] might, negotiating alone."

He points out that "NAFTA is trilateral and should be handled as a trilateral discussion ("Mexico Asks Canada to Stand Firm on NAFTA," *The Globe and Mail*, February 18, 2017).

"Several senior advisors to the administration of Mexican President Enrique Pena Nieto…are anxious to see Canada back Mexico in standing up to Mr. Trump's threat to 'tear up' the North American Free-Trade Agreement."

The Canadian government, has been "avoiding any commitment to a purely trilateral discussion of NAFTA," promising, though, that "we'll always be there for a friend to look at what we can achieve together, *following their own process with the US"* (our italics).

Whatever became of the much celebrated image of "the three amigos"? No wonder Trump wants to deal with Canada first!

"*Our first responsibility is to look after our country's interest…but…in doing that you do not need to run over other nations with your bus." Ildefonso Guarjardo, Mexican Economy Minister.*

It would seem that the Americans have written *their* list and are 'checking it twice.' Eight pages on Canada's "unwelcome trade practices," would suggest some considerable tweaking, and certain comments like, "topics get added over time," and, "some US requests might be aimed at *enshrining* principles for future trade deals" should give us pause – especially Wolff's examples of "currency manipulation, and the rules on state-owned enterprises" – not to mention the observation that "once you get into negotiations it tends to broaden not narrow"!

The "clues" in this document raise all sorts of questions. What are we willing to trade? Who decides on the bottom line? What will it take to "improve Canada – US relations"?

Doesn't really sound like a "small, targeted renegotiation"?

What does Trump want? I'm guessing, in light of his threatening approach, he wants as much as he can get, for as little as he must give. In view of weeping and wailing of the Canadian government and corporations over the threat of cancellation of NAFTA, I'm also guessing that US negotiators will approach the exercise armed with considerable confidence.

Élan

Trump Says NAFTA "A Catastrophe," but Canada Has Its Grievances

By Barrie McKenna, The Globe and Mail, February 4, 2017

Ottawa – So Donald Trump wants to renovate the triplex that is the North American free-trade agreement.

Job No. 1 is to determine the scope of the project. As homeowners know, renovations can run the gamut from new floors and cabinets, to a full gut job.

The good news is that demolition appears to be off the table, for now. So perhaps NAFTA isn't headed for the landfill just yet.

"I don't care if it's a renovation of NAFTA or a brand new NAFTA," Mr. Trump said this week. "I want to change it and maybe we do…a new NAFTA and we add an extra 'F' in NAFTA, for free and fair trade."

Even a renovation leaves a broad range of outcomes on the table, with potentially painful consequences for Canada. The priority for Ottawa is to figure out what it wants from a NAFTA makeover. And fast.

Mr. Trump and his designated negotiator – billionaire businessman and commerce secretary-designate Wilbur Ross – will be coming at Canada and Mexico hard and fast, looking to repatriate jobs, particularly in manufacturing. The Trump administration reportedly wants stricter content rules to limit the range of products entering the United States duty-free and rein in the clout of the dispute-settlement panels that have been a feature of Canada-US free trade since the 1980s.

Like renovations, trade negotiations are inherently unpredictable. But everything is potentially up for grabs. Pressure will be intense for Canada to bend on traditional US grievances. A handy reference guide for these is contained in the US Trade Representative's annual National Trade Estimate report of foreign trade barriers.

The chapter on Canada in the 2016 edition highlights such things as the restrictive supply management system for dairy and chicken products, provincial booze-marketing monopolies, high taxes on direct liquor imports and subsidies to Bombardier's C Series commercial jets. It also highlights foreign-ownership restrictions on telecom companies and a recent ruling by Canada's broadcast regulator to end the practice of substituting Canadian TV ads for US ones during the Super Bowl game.

Canada would be wise to draft an equally bold list of its own demands.

If the Trump administration pushes to neuter the state-to-state dispute-settlement regime (Chapter 19), Canada should insist on limiting the ability of investors to directly sue governments via Chapter 11. Canada has been sued more often and hit with more penalties than either of its NAFTA partners under the so-called investor-state rules.

Canada would also be wise to get assurances that Canadian energy exports will be spared from any new US border taxes.

And to avoid a repeat of the Keystone XL, pipeline foot-dragging debacle, it should demand that exports of oil, natural gas and electricity be spared from needing special US presidential permits.

Softwood-lumber trade is another cross-border irritant that is ripe for change. Serial US trade cases over allegedly dumped and subsidized Canadian softwood lumber dating back to the 1980s are a stain on NAFTA and the earlier Canada-US free-trade agreement. Domestic industries have routinely exploited the politicized trade-remedy regime to bog down foreign competitors in costly litigation, even with a weak legal case.

Ottawa should demand reciprocity on government procurement to protect itself from the proliferation of Buy America clauses in various US spending bills. The bottom line should be that if Canadian suppliers are shut out of US contracts, then US suppliers should be barred from contracts here.

Finally, Canada should seek to protect the right of Canadians to work and travel in the United States. Mr. Trump's rhetoric about Muslims and putting America first suggests US negotiators could try to roll back the labour-mobility rights enshrined in NAFTA. As many as 40,000 Canadians in designated professions now work in the United States under a fast-track non-immigrant visa known as a TN.

Canada's opening argument should be that it's not a bad actor in this drama. The country has a freely floating currency, generally higher taxes, stringent labour and environmental protections, and high-cost labour. Outside of energy, the United States enjoys a large trade surplus with Canada.

The broader current account, which includes services and investment income, is in near perfect balance.

Ottawa should fight for a better and fairer NAFTA, rather than settle for a gutted shell.

Our Comment

"Wise to draft its own demands"? surely this is standard procedure?

The US list of grievances should – alone – give Canadians pause for thought about the value of such a deal. What is absent from their agenda should spark an even closer look at "free-trade."

How *bold* is *"if"* (Chapter 19)?! How *bold* is *"limiting"* (Chapter 11)?

The pipeline comment reflects the need to consult Canadians when "negotiating" such deals. Many Canadians *welcomed* the "pipeline foot-dragging debacle"!

Issues like "the restrictive supply management system," and that of the "Buy America Clauses" indicate a need to reconsider the *concept* of "free-trade."

Indisputably, the Council of Canadians' demands "that NAFTA talks be open and transparent, and must include the removal of: (1) Chapter 11, which has been used by corporations to sue Canada for billions; (2) energy proportionality, which locks Canada into supplying the US with oil and gas as our domestic reserves dwindle; (3) water, new sources of water to deal with increasing drought," should be at the core of our bottom line.

But, why would we settle for "a better and fairer NAFTA" rather than "a gutted shell"? Why settle for any agreement that is less than free, and more than trade? Why not make the most of this second chance to free ourselves and change course?

Élan

Trump's Economic Policies Are No Answer to Our Problems

By Prof. Martin Hart-Landsberg, The Bullet, info@socialistproject.ca, Feb. 20, 2017

President Trump has singled out unfair international trading relationships as a major cause of US worker hardship. And he has promised to take decisive action to change those relationships by pressuring foreign governments to rework their trade agreements with the US and change their economic policies. While international economic dynamics have indeed worked to the disadvantage of many US workers, Trump's framing of the problem is highly misleading and his promised responses are unlikely to do much, if anything, to improve majority working and living conditions.

Labour unrest is spreading through the factories on the Mexican side of the border, where workers say they deserve more than \$6 a day.

President Trump and his main advisers have aimed their strongest words at Mexico and China, pointing out that the US runs large trade deficits with each, leading to job losses in the USA. For example, Bloomberg News reports that Peter Navarro, the head of President Trump's newly formed White House National Trade Council "has blamed NAFTA and China's 2001 entry into the World Trade Organization for much, if not all, of a 15-year economic slowdown in the US." In other words, poor negotiating skills on the part of past US administrations has allowed Mexico and China, and their workers, to gain at the expense of the US economy and its workers.

However, this nation-state framing of the origins of contemporary US economic problems is seriously flawed. It also serves to direct attention away from the root cause of those problems: the profit-maximizing strategies of large, especially US, multinational corporations. It is the power of these corporations that must be confronted if current trends are to be reversed.

Capitalist Globalization Dynamics

Beginning in the late 1980s large multinational corporations, including those headquartered in the US, began a concerted effort to reverse declining profits by establishing cross border production networks (or global value chains). This process knitted together highly segmented economic processes across national borders in ways that allowed these corporations to lower their labour costs as well as reduce their tax and regulatory obligations. Their globalization strategy succeeded; corporate profits soared. It is also no longer helpful to think about international trade in simple nation-state terms.

As the United Nations Conference on Trade and Development (UNCTAD) explains:

"Global trade and foreign direct investment have grown exponentially over the last decade as firms expanded international production networks, trading inputs and outputs between affiliates and partners in GVCs [Global Value Chains].

"About 60 percent of global trade, which today amounts to more than \$20 trillion, consists of trade in intermediate goods and services that are incorporated at various stages in the production process of goods and services for final consumption. The fragmentation of production processes and the international dispersion of tasks and activities within them have led to the emergence of borderless production systems – which may be sequential chains or complex networks and which may be global, regional or span only two countries."

UNCTAD estimates that some 80 percent of world trade "is linked to the international production networks of TNCs [transnational corporations], either as intra-firm trade, through NEMs [non-equity mechanisms of control] (which include, among others, contract manufacturing, licensing, and franchising), or through arm's-length transactions involving at least one TNC."

In other words, multinational corporations have connected and reshaped national economies along lines that best maximize their profit. And that includes the US economy. [Data] taken from an article by Adam Hersh and Ethan Gurwitz shows the share of all US merchandise imports that are intra-firm, meaning are sold by one unit of a multinational corporation to another unit of the same multinational, has slowly but steadily increased, reaching 50 percent in 2013. The percentage is considerably higher for imports of manufactures, including in key sectors like electrical, machinery, transportation, and chemicals.

The percentage is lower, but still significant for US exports. Approximately one-third of all merchandise exports from the US are sold by one unit of a multinational corporation to another unit of the same company.

As Hersh and Gurwitz comment, "The trend is clear: As offshoring practices increase, companies need to provide more wraparound services – the things needed to run businesses besides direct production – to their offshore production and research and development activities. Rather than indicating the competitive strength of US services businesses to expand abroad, the growth in services exports follows the pervasive offshoring of manufacturing and commercial research activities."

Thus, there is no simple way to change US trade patterns, and by extension domestic economic processes, without directly challenging the profit maximizing strategies of leading multinational corporations. To demonstrate why this understanding is a direct challenge to President Trump's claims that political pressure on major trading partners, especially Mexico and China, can succeed in boosting the fortunes of US workers, we look next at the forces shaping US trade relationships with these two countries.

The US-Mexican Trade Relationship

US corporations, taking advantage of

NAFTA and the Mexican peso crisis that followed in 1994-95, poured billions of dollars into the country. Their investment helped to dramatically expand a foreign-dominated export sector aimed at the US market that functions as part of a North American region-wide production system and operates independent of the stagnating domestic Mexican economy.

Leading Mexican exports to the US include motor vehicles, motor vehicle parts, computer equipment, audio and video equipment, communications equipment, and oil and gas. However, with the exception of oil and gas, these are far from truly "Mexican" exports. As a report from the US Congressional Research Service describes:

"A significant portion of merchandise trade between the United States and Mexico occurs in the context of production sharing as manufacturers in each country work together to create goods. Trade expansion has resulted in the creation of vertical supply relationships, especially along the US-Mexico border. The flow of intermediate inputs produced in the United States and exported to Mexico and the return flow of finished products greatly increased the importance of the US- Mexico border region as a production site. US manufacturing industries, including automotive, electronics, appliances, and machinery, all rely on the assistance of Mexican [based] manufacturers. One report estimates that 40% of the content of US imports of goods from Mexico consists of US value added content."

Because foreign multinationals, many of which are US owned, produce most of Mexico's exports of "advanced" manufactures using imported components, the country's post-NAFTA export expansion has done little for the overall health of the Mexican economy or the well-being of Mexican workers. As Mark Weisbrot points out:

"If we look at the most basic measure of economic progress, the growth of gross domestic product, or income per person, Mexico, which signed on to NAFTA in 1994, has performed the 15th-best out of 20 Latin American countries.

"Other measures show an even sadder picture. The poverty rate in 2014 was 55.1 percent, an increase from the 52.4 percent measurement in 1994.

"Wages tell a similar story: There's been almost no growth in real inflation-adjusted wages since 1994 – just about 4.1 percent over 21 years."

Representative Sander Levin and Harley Shaiken make clear that the gains have been nonexistent even for workers in the Mexican auto industry, the country's leading export center:

"Consider the auto industry, the flagship manufacturing industry across North America. The Mexican auto industry exports 80 percent of its output of which 86 percent is destined for the US and Canada. If high productivity translated into higher wages in Mexico, the result would be a virtuous cycle of more purchasing power, stronger economic growth, and more imports from the US.

"In contrast, depressed pay has become the 'comparative advantage.' Mexican autoworker compensation is 14 percent of their unionized US counterparts and auto parts workers earn even less, $2.40 an hour. Automation is not the driving force; its depressed wages and working conditions."

In other words, US workers aren't the only workers to suffer from the globalization strategies of multinational corporations. Mexican workers are also suffering, and resisting.

In sum, it is hard to square this reality with Trump's claim that because of the way NAFTA was negotiated Mexico "has made us look foolish." The truth is that NAFTA, as designed, helped further a corporate driven globalization process that has greatly benefited US corporations, as well as Mexican political and business elites, at the expense of workers on both sides of the border. Blaming Mexico serves only to distract US workers from the real story.

The US-Chinese Trade Relationship

The Chinese economy also went through a major transformation in the mid-1990s which paved the way for a massive inflow of export-oriented foreign investment targeting the United States. The process and outcome was different from what happened in Mexico, largely because of the legacy of Mao era policies. The Chinese Communist Party's post-1978 state-directed reform program greatly benefited from an absence of foreign debt; the existence of a broad, largely self-sufficient state-owned industrial base; little or no foreign investment or trade; and a relatively well-educated and healthy working class. This starting point allowed the Chinese state to retain considerable control over the country's economic transformation even as it took steps to marketize economic activity in the 1980s and privatize state production in the 1990s.

However, faced with growing popular resistance to privatization and balance of payments problems, the Chinese state decided, in the mid-1990s, to embrace a growing role for export-oriented foreign investment. This interest in attracting foreign capital dovetailed with the desire of multinational corporations to globalize their production. Over the decade of the 1990s and 2000s, multinational corporations built and expanded cross border production networks throughout Asia, and once China joined the WTO, the country became the region's primary final assembly and export center.

As a result of this development, foreign produced exports became one of the most important drivers, if not the most important, of Chinese growth. For example, according to Yılmaz Akyüz, former Director of UNCTAD's Division on Globalization and Development Strategies:

"Despite a high import content ranging between 40 and 50 percent, approximately one-third of Chinese growth before the global crisis [of 2008] was a result of exports, due to their phenomenal growth of some 25 percent per annum. This figure increases to 50 percent if spillovers to consumption and investment are allowed for. The main reason for excessive dependence on foreign markets is under consumption. This is due not so much to a high share of household savings in GDP as to a low share of household income and a high share of profits."

The US soon became the primary target of China's exports. The US now imports more goods from China than from any other country, approximately $480 billion in 2015, followed by Canada and Mexico (roughly $300 billion each). The US also runs its largest merchandise trade deficit with China, $367 billion in 2015, equal to 48 percent of the overall US merchandise trade deficit. In second place was Germany, at only $75 billion.

Adding to China's high profile is the fact that it is the primary supplier of many high technology consumer goods, like cell phones and laptops. More specifically:

"(F)or 825 products, out of a total of about 5,000, adding up to nearly $300 billion, China supplies more than all our other trade partners combined. Of these products, the most important is cell phones, where $40 billion in imports from China account for more than three-quarters of the total value imported.

"There are also 83 products where 90 percent or more of US imports come from China; together these accounted for a total of $56 billion in 2015. The most important individual product in this category is laptop computers, which alone have an import value of $37 billion from China, making up 93 percent of the total imported."

Of course, China is also a major supplier of many low-technology, low-cost goods as well, including clothing, toys, and furniture.

Not surprisingly, exports from China have had a significant effect on US labour market conditions. Economists David Autor, David Dorn and Gordon Hanson "conservatively estimate that Chinese import competition explains 16 percent of the US manufacturing employment decline between 1990 and 2000, 26 percent of the decline between 2000 and 2007, and 21 percent of the decline over the full period." They also find that Chinese import competition "significantly reduces earnings in sectors outside manufacturing."

President Trump has accused China of engaging in an undeclared trade war against the United States. However, while Trump's charges conjure up visions of a massive state-run export machine out to crush the United States economy for the benefit of Chinese workers, the reality is quite different.

First, although the Chinese state retains important levers of control over economic activity, especially the state-owned banking system, the great majority of industrial production and export activity is carried out by private firms. In 2012, state-owned enterprises accounted for only 24 percent of Chinese industrial output and 18 percent of urban employment. As for exports, by 2013 the share of state-owned enterprises was down to 11 percent. Foreign-owned multinationals were responsible for 47 percent of all Chinese exports. And, most importantly in terms of their effect on the US economy, multinational corporations produce approximately 82 percent of China's high-technology exports.

Second, although these high-tech exports come from China, for the most part they are not really "Chinese" exports. As noted above, China now functions as the primary assembly point for the region's cross border production networks. Thus, the majority of the parts and components used in Chinese-based production of high-technology goods come from firms operating in other Asian countries. In many cases China's only contribution is its low-paid labour.

A *Washington Post* article uses the Apple iPhone 4, a product that shows up in trade data as a Chinese export, to illustrate the country's limited participation in the production of its high technology exports:

"In a widely cited study, researchers found that Apple created most of the product's value through its product design, software development and marketing operations, most of which happen in the United States. Apple ended up keeping about 58 percent of the iPhone 4's sales price. The gross profits of Korean companies LG and Samsung, which provided the phone's display and memory chips, captured another 5 percent of the sales price. Less than 2 percent of the sales price went to pay for Chinese labour.

"'We estimate that only $10 or less in direct labour wages that go into an iPhone or iPad is paid to China workers. So while each unit sold in the US adds from $229 to $275 to the US-China trade deficit (the estimated factory costs of an iPhone or iPad), the portion retained in China's economy is a tiny fraction of that amount,' the researchers wrote."

The same situation exists with laptop computers, which are assembled by Chinese workers under the direction of Taiwanese companies using imported components and then exported as Chinese exports. Economists have estimated that the US-Chinese trade balance would be reduced by some 40 percent if the value of these imported components were subtracted from Chinese exports. Thus, it is not Chinese state enterprises, or even Chinese private enterprises, that are driving China's exports to the USA. Rather it is foreign multinationals, many of which are headquartered in the US, including Apple, Dell, and Walmart.

And much like in Mexico, Chinese workers enjoy few if any benefits from their work producing their country's exports.

Approximately 80 percent of Chinese manufacturing workers are internal migrants with a rural household registration. This means they are not entitled to access the free or subsidized public health care, education, or other social services available in the urban areas where they now work; the same is true for their children even if they are born in urban areas. Moreover, most migrants receive little protection from Chinese labour laws.

For example, as the *China Labour Bulletin* reports: "In 2015, seven years after the implementation of the Labour Contract Law, only 36 percent of migrant workers had signed a formal employment contract with their employer, as required by law. In fact the percentage of migrant workers with formal contracts actually declined last year by 1.8 percent from 38 percent. For short-distance migrants, the proportion was even lower, standing at just 32 percent, suggesting that the enforcement of labour laws is even less rigid in China's inland provinces and smaller cities.

"According to the [2014] migrant worker survey…the proportion of migrant workers with a pension or any form of social security remained at a very low level, around half the national average. In 2014, only 16.4 percent of long-distance migrants had a pension and 18.2 percent had medical insurance."

Despite worker struggles, which did succeed in pushing up wages over the last 7 years, most migrant workers continue to struggle to make ends meet. Moreover, with Chinese growth rates now slipping, and the government eager to restart the export growth machine, many local governments have decided, with central government approval, to freeze minimum wages for the next two to four years.

In short, it is not China, or its workers, that threaten US jobs and well-being. It is the logic of capitalist globalization. Thus, Trump's call-to-arms against China obfuscates the real cause of current US economic problems and encourages working people to pursue a strategy of nationalism that can only prove counterproductive.

The Political Challenge Facing US Workers

The globalization process highlighted above was strongly supported by all major governments, especially by successive US administrations. In contrast to Trump claims of a weak US governmental effort in support of US economic interests, US administrations used their considerable global power to secure the creation of the WTO and approval of a host of other multilateral and bilateral trade agreements, all of which provided an important infrastructure for capital mobility, thereby supporting the globalizing efforts of leading US multinational corporations.

President Trump has posed as a critic of existing international arrangements, claiming that they have allowed other countries, such as Mexico and China, to prosper at US expense. He has stated that he will pursue new bilateral agreements rather than multilateral ones because they will better serve US interests and he has demanded that US multinational corporations shift their investment and production back to the USA.

Such statements have led some to believe that the Trump administration is serious about challenging globalization dynamics in order to rebuild the US economy in ways that will benefit working people. But there are strong reasons to doubt this. Most importantly, he seems content to threaten other governments rather than challenge the profit-maximizing logic of dominant US companies, which as we have seen is what needs to happen.

One indicator: an administration serious about challenging the dynamics of globalization would have halted US participation in all ongoing negotiations for new multilateral agreements, such as the Trade in Services Agreement which is designed to encourage the privatization and deregulation of services for the benefit of multinational corporations. This has not happened.

Such an administration would also renounce support for existing and future bilateral agreements that contain chapters that strengthen the ability of multinational corporations to dominate key sectors of foreign economies and sue their governments in supranational secret courts. This has not happened.

Another indicator: an administration serious about creating a healthy, sustainable, and equitable domestic economy would strengthen and expand key public services and programs; rework our tax system to make it more progressive; tighten and increase enforcement of health and safety and environmental regulations; strengthen labour laws that protect the rights of workers, including to unionize; and boost the national minimum wage. The Trump administration appears determined to do the opposite.

Such an administration would also begin to develop the state capacities necessary to redirect existing production and investment activity along lines necessary to rebuild our cities and infrastructure, modernize our public transportation system, and reduce our greenhouse gas emissions. The Trump administration appears committed to the exact opposite.

In short, if we take Trump's statements seriously, that he actually wants to shift trading relationships, then it appears that his primary strategy is to make domestic conditions so profitable for big business, that some of the most globally organized corporations will shift some of their production back to the United States. However, even if he succeeds, it is very unlikely that this will contribute to an improvement in majority living and working conditions.

The main reason is that US corporations, having battered organized labour with the assistance of successive administrations, have largely stopped creating jobs that provide the basis for economic security and well-being. Economists Lawrence F. Katz and Alan B. Krueger examined the growth from 2005 to 2015 in "alternative work arrangements," which they defined as temporary help agency workers, on-call workers, contract workers, and independent contractors or freelancers. They found that the percentage of workers employed in such arrangements rose from 10.1 percent of all employed workers in February 2005 to 15.8 percent in late 2015. But their most startling finding is the following:

"A striking implication of these estimates is that all of the net employment growth in the US economy from 2005 to 2015 appears to have occurred in alternative work arrangements. Total employment according to the CPS increased by 9.1 million (6.5 percent) over the decade, from 140.4 million in February 2005 to 149.4 in November 2015. The increase in the share of workers in alternative work arrangements from 10.1 percent in 2005 to 15.8 percent in 2015 implies that the number of workers employed in alternative arrangement increased by 9.4 million (66.5 percent), from 14.2 million in February 2005 to 23.6 million in November 2015. Thus, these figures imply that employment in traditional jobs (standard employment arrangements) slightly declined by 0.4 million (0.3 percent) from 126.2 million in February 2005 to 125.8 million in November 2015."

A further increase in employment in such "alternative work arrangements," which means jobs with no benefits or security, during a period of Trump administration-directed attacks on our social services, labour laws, and health and safety and environmental standards is no answer to our problems. Despite what President Trump says, our problems are not caused by other governments or workers in other countries. Instead, they are the result of the logic of capitalism. The Trump administration, really no US administration, is going to willingly challenge that. That is up to us.

Martin Hart-Landsberg is Professor Emeritus of Economics at Lewis and Clark College, Portland, Oregon; Adjunct Researcher at the Institute for Social Sciences, Gyeongsang National University, South Korea; and Adjunct Professor in the Labor Studies Program at Simon Fraser University, Canada. This article first appeared on his blog, Reports from the Economic Front.

Our Comment

"Our problems are not caused by other governments or workers in other countries. Instead, they are the result of the logic of capitalism. The Trump administration, really no US administration, is going to willingly challenge that. That is up to us."

Part of the explanation for President Trump's astonishing success, is that much of what he says is true – like the need for job security in the US and, the fact that international trading relationships are unfair.

His "solution," alas, is to blame the victims – scapegoating, for example, Mexico and China. Attributing job losses in the US to trade deficits with its trading partners is a clever cover-up for the truth about "profit-maximizing strategies" of corporations, whose power, one suspects, he is hardly about to confront.

The process of *cross border production networks*, is a tactic well calculated to enhance the transfer of power from nation state to corporations, promoting, for example, foreign direct investment.

How could any nation whose national economic priorities have been so privatized operate in the best interest of the common good? How can trade meet honest public needs, when so much of it is intra-firm – bent on corporate profit?

Clearly Trump's promise to improve the lot of US workers by challenging major trading partners is, at best, fairy dust.

The self-serving corporate investment in Mexico in 1994-95, should prompt us to think hard about foreign investment here.

Little known facts about "free trade," like the US value-added content of Mexican imports, could help greatly to disabuse people of false "free trade" notions.

The meagre benefits of NAFTA to Mexican workers, calls into question the extravagant praise for such agreements, and reflects the need for a public, extensive auditor's report exposing who benefits and at what cost to whom, from such deals. The example of NAFTA winners and losers on *both* sides of the Mexican border is typical.

Facts that place the blame where it belongs, like the fact that multinational corporations "produce approximately 82 percent of China's high-tech exports," could prove important to peace as the future unfolds.

Tracing economic problems to their real source is imperative if we are to build a better system!

Taking our share of the blame for exploitation in other countries could go far

Continued on page 13

Once More Into the Breach

In 2008, at 93, William Krehm was preparing for "one final march into the breach."

Today, at 103, he continues committed to "this one contribution [he] would still like to leave." He stands, with us, ringing the doorbell of the Supreme Court.

At this point, it's up to the rest of us to do all we can to support this incredible historic venture.

With sincere thanks for the equally historic response of members and other supporters, along the way, COMER must, once again, appeal to everyone who supports this noble struggle, to donate whatever possible to the cost of carrying the case to this crucial, highly expensive level.

This can be done by cheque, made out to COMER, and designated "Lawsuit," sent to: COMER, c/o Ann Emmett, 83 Oakwood Avenue, Toronto, Ontario, M6H 2V9.

E-transfer. In response to many requests, COMER is setting up a PayPal donation button. When arrangements have been concluded, information about how to donate electronically, directly to the lawsuit account will be posted on the COMER website.

Calling All Volunteers!

1. Work on the new website is progressing exceedingly well. We have an extraordinary team of highly skilled and experienced volunteers guiding its development. At this point, we need volunteers with computer savvy to migrate material to the new site.

Specific skills to this task would include familiarization with WordPress and Google docs.

We are also seeking creative volunteers who can work with our creative director, and have strong familiarity with the Adobe Suite, particularly After Effects, Premiere, Illustrator and InDesign.

2. Experienced web writers.

3. We are also calling for volunteers to work on an editorial committee to formulate what should be included on the new site, and how it might best be presented.

To volunteer for work on the new website please contact us at comerpub@rogers.com.

If you are interested and able to join the editorial committee please email your willingness to serve to comerpub@rogers.com or phone 416-654-3499.

Toronto Revolutionary, 93, Girds for One More Battle

By Brett Popplewell Staff Reporter Toronto Star, published on May 17, 2008

He has participated in some of the most important events of the 20th century. Now, at 93, William Krehm is preparing for one final march unto the breach.

The slender Rosedale resident with deep-set eyes who reads three newspapers before lunch is, from the comforts of his study, gathering evidence to challenge the Canadian government over its economic policies in court.

"I'm challenging the way the government uses the *Bank of Canada Act*," says Krehm in a soft, reverent whisper. "That's what I have left for purpose in my life," he says. "I've had a lot of meanderings in my day, but this is the one contribution that I would still like to leave."

Born in Toronto to Russian and Ukrainian parents in 1914, the meanderings of this violinist-turned-revolutionary-cum-journalist-turned-businessman have made him a living relic.

He delivered hats off Wall Street during the Crash of '29, sipped coffee with George Orwell on Las Ramblas during the Spanish Civil War and stood guard over Trotsky's corpse in Mexico. He built homes in Toronto, edited his most recent book on economics a few months ago, and now spends his days practising his violin and readying for one final accomplishment.

Sporting a wool scarf draped loosely around his neck, Krehm reclines in a chair in the sunlit, marble-floored sitting room of his home and speaks of his life as if he lived atop a feather blown through history.

A gifted musician, Krehm was sent to Chicago by his parents to study violin during the years of Prohibition, when Al Capone ran that city's underworld.

He left Chicago within a year and moved to New York City, where he took a job delivering hats. Shortly after the stock market crash of 1929, 15-year-old Krehm began reading the works of Karl Marx, Vladimir Lenin and Leon Trotsky. He returned home in 1930, studied math at the University of Toronto but dropped out two years later. By 1934, he was a radical and formed the League for Revolutionary Worker's Party, a group of Trotsky-inspired Marxist youth in Toronto.

While on a visit to Brussels in fall 1936, the prospect of "seeing revolution in the streets" drew Krehm over the Pyrenees to Barcelona, where like-minded Trostkyites were fighting Stalin-backed republicans and Nazi-backed nationalists.

He remembers standing atop Mount Tibidabo, watching planes from the German Condor Legion speed overhead on a bombing run, and fondly recalls meeting George Orwell, who was there supporting the Trotskyites.

"He was very approachable," Krehm says of his encounters with the famed novelist at a downtown café. "He wasn't puffed up at all. He was having a hell of a time in Spain."

Because of his links to Trotsky, Krehm chose not to join the 1,500 radicalized Canadian volunteers fighting with the International Brigades under the direction of Moscow.

"They would have slit my throat in no

time at all. Trotskyites were sneered at by Stalinists, you see," he says.

Barcelona was raided by Stalinists in spring 1937. Krehm and other Trotskyites were rounded up.

"Anyone with direct links to Trotsky was never seen again," says Krehm, who counts himself luckier than most of his colleagues (including Orwell who, having been shot through the neck, barely got out of Spain alive).

Krehm spent several months in a crowded, plywood prison before a hunger strike resulted in his transfer to hospital.

He recovered and was released, or rather, "stripped of my belongings and dumped into France" by communist forces, now losing their war against the fascists.

In France, Krehm purchased a $60 ticket to Toronto by ship, where he began speaking to local Trotskyites of his experiences in Spain.

But with Canada emerging from the Great Depression and political support for Trotsky dwindling, Krehm found few willing ears. With $270 in his pocket, he ventured south, to rest in Mexico.

And in Mexico he stayed, anchored by his political proclivities. Krehm tried to return to Canada to join the fight against fascism in Europe – World War II – but the United States would not permit him to cross its borders. He was stuck.

As it happens, he was there when his role model had his head run through with an ice pick. Feeling compelled to pay his respects to the man whose writings had influenced him, Krehm stood guard over Trotsky's body at his funeral.

Krehm soon landed a job with *Time Magazine*, covering a series of revolutions that broke out in Latin America during World War II.

But by 1947, with the Cold War heating up, his revolutionary past came back to haunt him.

"I ruffled some feathers," he says, about his dispatches on American involvement in several coups in Latin America. He was fired by *Time*.

Krehm returned to Toronto with wife Gladys Cowan of Port Arthur, Ont., and his young, Peruvian-born son, Adam, and began writing music reviews for local radio and newspapers.

When that stint ended, Krehm became an entrepreneur, founding a property management company, O'Shanter, now owned and operated by his sons, Adam and Jonathan.

He retired from O'Shanter in the early 1980s and began writing again, this time on economics.

As co-founder of the Committee on Monetary and Economic Reform, an economics-oriented publishing house in Toronto, Krehm has written several works arguing against the government practice of combating inflation by increasing interest rates.

He says this has not only been detrimental to society, it runs counter to the *Bank of Canada Act*, which has been on the books since 1934.

His essays on the subject have earned him recognition as an economist and an invitation to Cambridge University, where he spoke on the subject at age 92.

Rocco Galati, a local attorney who will represent Krehm in the challenge, will only say: "It's going to be a significant challenge of the way the government has been using the Bank of Canada contrary to its enabling legislation. It will probably end up before the Supreme Court."■

Déja Vue

Will Trudeau Become the Next Prime Minister Canadians Campaign to Stop?

To the Editor, Peterborough This Week, January 18, 2017

While being billed as an opportunity for Prime Minister Justin Trudeau to reconnect with the people, last Friday's town hall used the ideas of the 10 or so people who spoke, to spin us into his world view.

Other than when I was on the same ski hill in Ottawa with his father, I have been in the presence of only two prime ministers in my life, with Friday being the second occasion.

The first was at a John Diefenbaker rally at the CNE in the 1950s when I was a boy. Subsequently, I followed the controversy between Diefenbaker and James Coyne, the governor of the Bank of Canada (BoC). Diefenbaker wanted the BoC to lower the value of the dollar from $1.05 US to par or lower. Coyne objected. He was forced to resign and legislation was passed by the House of Commons that the Governor of the BoC must follow the written directive of the Finance Minister, effectively declaring that the BoC was not independent of the government.

In the '70s, Pierre Trudeau allowed it to become independent again subject to the whims of the Bank of International Settlements in Switzerland.

I would have asked Justin Trudeau why we needed a new infrastructure bank when we already have the BoC with a proven track record. I would have appealed to the teacher within him by asking him to examine the evidence about the success of the BoC.

If the BoC worked before 1974, why not again?

When I shouted out "Use your central bank" to fund the transition from fossil fuels to an environmentally-sustainable economy, he responded with: "that doesn't work." That's despite the evidence from 1935 until 1975 that it does work.

The second issue, Proportional Representation (PR), is more pressing. Some of us demonstrated about that.

In response to one questioner and the protest, Trudeau claimed Canadians had a variety of ideas despite the evidence that most presenters at the hearings conducted by Peterborough-Kawartha MP Maryam Monsef were in favour of PR.

In this regard, I would have pointed out that during my lifetime, the country has had one election campaign after another to stop a prime minister or a political party by voting strategically. We stopped Diefenbaker, then after Pearson, Justin's father. Then we stopped the Mulroney/Kim Campbell Conservatives by electing Chrétien. Then, mad at Chrétien, we dumped Paul Martin for Harper. And, in the last election we had to stop Harper. When will the people of Canada vote for the candidates we want instead of against the political party we don't want?

Justin Trudeau has an opportunity to ensure his legacy as a potentially great prime minister by keeping his promise to bring in PR. I hope that he does not miss this opportunity by becoming the next prime minister that we campaign to stop.

Herb Wiseman, Peterborough

Our Comment

That Prime Minister Justin Trudeau should extol the virtues of the EU when commenting on his NAFTA chat with Donald Trump, suggests another possible issue that could, conceivably, contribute to his being "the next Prime Minister to stop."

Just how far, one wonders, would *he*

be willing to compromise Canadian sovereignty to satisfy the demands of our closest trading "partner"?

Élan

The Trouble with Airport Privatization

By Calin Rovinescu, The Globe and Mail, December 19, 2016

There is an irony not lost on us where, as a former Crown Corporation celebrating 30 years of privatization in 2018, Air Canada emerges as distinctly anti-privatization when it comes to Canadian airports – in effect, public facilities that airlines such as Air Canada have invested billions in helping to develop.

But it is not inconsistent for us to make this argument.

Yes, some changes are in order. Airport security needs to be streamlined if not overhauled. Governance of airports needs to change to provide more accountability. And, above all, the federal government needs to reduce the infrastructure fees, taxes and charges imposed on aviation that make many of our airports uncompetitive and drive up airfares. Privatization will not fix this and, indeed, risks exacerbating it.

In our view, airport privatization is likely to further drive up the already high usage costs of Canadian airports and, with it, ultimately airfares. Therefore, it's not a good thing for airlines or our customers.

According to a Conference Board of Canada survey, airport and navigational fees, taxes and charges already account for approximately 40 percent of the total airfare difference between the United States and Canada – and that does not include the difference in after-tax fuel costs. Canada ranks 130th of 140 countries when it comes to governmental taxes, rates and charges, as ranked by the 2015 World Economic Forum Tourism Competitiveness Report.

This is the real problem with Canadian airports, and privatization would only make it worse. The monopoly position that "for-profit" airports would hold virtually throughout the country, together with necessary return on investment requirements, would very quickly drive up the costs both for airlines and ultimately, our passengers. Privatized airport models in other parts of the world are often situated in geographically small countries surrounded with high-density populations, allowing for real competition between airports. In contrast, with our vast geography, our ability to provide direct international service to Canadians (largely from hub airports) relies heavily on having a fully integrated system with feed traffic from regional communities. Privatizing key airports risks destabilizing this critical balance.

A fundamental principle of the National Airport Policy, which was introduced in 1994 and which currently governs the operations of airports, is its not-for-profit cost-recovery structure. Some airports are better than others at keeping costs down while creating efficiencies. This is an area where support on improving operations could be useful. However, as we have witnessed in previous airport privatizations, the seller of the asset does profit while the other stakeholders and users of the airport (i.e., airlines and consumers) carry the financial burden indefinitely.

In addition to streamlining airport security infrastructure and reducing rates and charges, another area of reform we would support is around airport governance and accountability. This is an issue that should be addressed, and a privatized model is not needed to do so.

The Canadian model is not broken, only dented. It does not need to be fixed by a quick solution of selling our public airports to the highest bidder. Improvements may be needed but, in general, the National Airport Policy still provides a sound foundation and one that all stakeholders could work toward reinforcing.

With some smart thinking and thoughtful improvements, the Canadian model can be enhanced to become an example for the industry worldwide.

Calin Rovinescu is the President and Chief Executive Officer of Air Canada.

Our Comment

The trouble with airport privatization is the trouble with *all* privatization.

Privatization is a revered tenet of neoliberalism. It whittles away at sovereignty, trades real wealth for passing, financial gain, and concentrates power in the hands of multinational corporations who operate in what they see as their own best interest.

It's not hard to appreciate the temptation to passing governments, of selling off public assets in what they see as their own best interest, leaving the usual patsies to "carry the financial burden indefinitely."

"Smart thinking" can't be counted on to lead to "thoughtful improvements."

What could possess a democratic government to suppose that it had a right to arbitrarily sell public assets?

Perhaps, with "smart" electoral reform, we could get ourselves a government that would, instead, honour public assets as a sacred trust, to be guarded and maintained – then handed on to future generations.

Élan

Without Any Mandate, Trudeau Pushes Privatization

By Tom Parkin, Postmedia Network, November 20, 2016

Last week, Justin Trudeau pushed his privatization plan even farther. He's now going well beyond anything considered by any previous Canadian government. He's closing in on Donald Trump.

Don't believe it? Believe it.

A month ago he asked investment bank Credit Suisse if Canadian airports should be privatized. No Canadian government has ever considered this.

Last week Trudeau asked investment banker Morgan Stanley for an opinion on privatizing 18 Canadian ports. Another first.

And also last week Trudeau held a closed-door "summit" with some of the world's biggest investment funds from Canada, United States, China, Abu Dhabi, Qatar and elsewhere. The event was hosted by Wall Street behemoth BlackRock, famous for its iShares brand. BlackRock is the world's biggest asset manager, weighing in at $5 trillion.

Trudeau pitched his Infrastructure Bank plan and asked for their money. Their investment would be used by his bank to finance Canadian infrastructure projects.

Even Prime Minister Harper never tried this. It's so far out, Trudeau's plan brings him in line with billionaire US President-elect Donald Trump.

Last week, transition team member Steven Mnuchin, also a Wall Street veteran, reaffirmed Trump's promise to create a private investment infrastructure bank.

Trump and Trudeau suggest these investments won't cost anything – as if finance capitalists are pixie angels who scatter magic dust that grows free transit, bridges and roads where it lands. What nonsense.

Michael Sabia is more honest. Sabia, CEO of a $250 billion Canadian investment fund, recently told investors a 7 to 9% return on infrastructure investment is what private capital wants.

That's a lot higher than the cost of public financing – currently at about 1% interest.

Late last month, the Bank of Canada issued $3 billion in 10-year bonds. They sold with an average yield of 1.3%. A week before, the Bank sold $3.2 billion in 3-year bonds with a 0.6% yield.

A private infrastructure bank means paying more for financing. It means getting less infrastructure. Fewer construction jobs. Less for land, materials and equipment. Lower economic spin-off.

Canadian Economist Toby Sanger recently compared 30 year private and public finance costs on a $100 million construction project. Public financing would cost $31 million. Private financing would add $164 million to costs. Who pays that money? Who gets it?

In the House of Commons, NDP Finance Critic Guy Caron – an economist before being an MP – has been firing off questions about the government's plans. And wider concern is building. Now Conservative Party Interim Leader Rona Ambrose and even Postmedia columnist Terence Corcoran are raising concerns.

Trudeau's mandate was to use historically low interest rates to fund infrastructure, not Thatcherism. This surprising rightward turn could have wider implications.

Privatization could mean airports and sea ports sold to consortiums from Abu Dhabi and China. And Trudeau's bank would further concentrate wealth as money from Canadians is pipelined up to global investors.

Economist Thomas Piketty has made the case that excessive concentration of wealth isn't just "economically useless," it may lead to "political capture of our democratic institutions." In 2014 he worried that, when institutions can't address inequality and social problems, "it's always tempting to find other people responsible for our problems."

Wall Street captured the Democrats and Republicans decades ago. Picketty's next worry couldn't have been more prescient.

Our Comment

Justin Trudeau should ask Canadians how *they* feel about his selling of the crown jewels!

Remember Black Rock? If you haven't meet our Prime Minister's trusted circle of advisors, you might want to read Joyce Nelson's book, *Beyond Banksters, Resisting the New Feudalism*. (Available from the COMER bookstore.)

At least, when military aggression was the way to take over a country, it was easy to understand what was happening, and the enemy was readily identifiable! *Élan*

Trump *from page 9*

towards developing the sort of globalization we sorely need. "It is not China or its workers, that threaten US jobs and well-being. It is the logic of capitalist globalization."

Trump's intention to deal with NAFTA through the divide-and-conquer tactic of "tweaking" it first (with its weakest member?), because "bilateral agreements…will better serve US interests," is a moral and pragmatic challenge to Canada.

The strong reasons to doubt that Trump "is serious about challenging globalization dynamics in order to rebuild the economy in ways that will benefit working people," are well argued and ought to be of interest to those re-"negotiating" NAFTA on our account. Of timely interest to Canadians is the suggestion that an administration "serious about challenging the dynamics of globalization," "would begin to develop the state capacities necessary to redirect existing productions and investment activities along lines necessary to rebuild our cities and infrastructure, modernize our public transportation system and reduce our green house gas emissions."

This article makes crystal clear the true meaning of "free trade"!

Élan

Additional Comment

More Canadians voted against NAFTA than for it, in spite of the multi-million dollar campaign to market it. "The mechanics of our electoral process empowered Brian Mulroney to set the popular vote aside."

Dave Barrett, as the New Democratic Party's trade critic, conducted special hearings from Vancouver to Halifax. These where the basis for a report entitled, "Free-Trade, The Sellout."

The report contains two parts, one on views of the presenters, and the other, a review of Canada's first year under the Free-Trade Agreement (FTA).

There are two appendices, one listing the presenters, and the other a summary of some crucial articles of the FTA.

He points out that not one presentation opposed the idea of *freer* trade, but that some "made telling arguments that the eventual FTA…had more to do with capturing Canada's natural, financial and human resources for a continental economy run from Wall Street, than with a tariff-free exchange of goods between two sovereign nations."

He goes on to argue that "the FTA is not about expanding Canadian trade so much as integrating this nation into the US economy," and that, "America's long struggle for the annexation of Canada could ultimately succeed not through military incursion or commercial penetration – but by an accord signed by its own government!"

He goes on to make the case that we were losers in this deal, and discusses false promises, and "many crucial areas including water, energy, healthcare and education, in which the FTA will have an enormous impact on Canada's future despite government promises to the contrary."

He lists several telling statistics that paint a far-from positive picture, contrasting promises with outcomes. He notes US actions taken against Canada, and concludes that, "under the FTA Canada has surrendered its ability to chart its own course."

He traces examples of how the Mulroney government's efforts to win "goodwill in Washington," have left Canadians coming to depend on foreigners to develop our policies, limit our income and shape our perceptions."

In conclusion, the report demonstrates dramatically that the two fundamental objectives of the FTA – free access to the US market, and security from unilateral US harassment – were *not* achieved.

"As US trade analyst, Mark Ritchie, describes it, the FTA is essentially a Bill of Rights for big capital. The trade deal sacrifices both our sovereignty and democratic control of our future."

The report concludes: "If the vision of community which brought this nation together is to be sustained, *Canada must abrogate the Free Trade Agreement*, and free this nation to pursue policies which will help us to achieve a strong and diversified economy, full employment, high living standards, and social justice for all of our citizens."

Its epilogue observes that, "It has long been on the US agenda to have a North American Free Trade regime, with US capital, abundant Canadian resources, and cheap Mexican labour the ticket to maintain its position in world trade."

How could we have failed to learn from the FTA, and fallen for NAFTA?

Ironically, the US President has given us a second chance to save ourselves.

"*He who will not, when he may, may not, when he would."* (An aphorism shared with me by Ellen M. Shapter, a wise and learned octogenarian who came into my life when I was teenager, and greatly enriched it.)

Élan

Should We Trash Cash?

By John Lanchester, The New York Times Magazine, January 10, 2017

Two months ago, the world's largest democracy embarked on one of the biggest monetary experiments the world has ever seen. On November 8, without warning or preamble, without discussion papers or leaks, Narendra Modi's Indian government invalidated most of the country's cash. The 500- and 1,000-rupee notes – India's two highest-denomination bills, then worth around $7.50 and $15, respectively – were, as of that moment, no longer legal tender. Anyone in possession of these notes had until December 30 to take them to a bank and either deposit them or exchange them for other notes. Anyone presenting more than 250,000 rupees in cash ($3,700) had to provide an explanation for why he had so much, and proof that he had paid tax on it; the penalty for unpaid tax was to cough up 200 percent of the amount owed.

The two retired notes represented 86 percent, by value, of all the cash in circulation in India. To see what a big deal this is, you have to appreciate the nature of the Indian economy. Many Westerners have become so used to discussing China as the most populous country in the world, with 1.357 billion inhabitants, that they forget India is just behind it, with 1.252 billion. Of that total, only 12 million pay income tax. That's an astonishing number: 99 percent of Indians don't pay tax. The majority of Indians work in what economists call the "informal" or "unorganized" economy, which runs overwhelmingly on cash.

The short-term result of Modi's move has been, unsurprisingly, chaos: huge lines at ATMs and banks, farmers unable to buy seeds to plant crops, weddings and property transactions canceled, piles of illicit cash shredded or burned. Some workers have been forced to choose between earning a day's pay or spending the same day waiting to deposit money in a bank. Many of the poor don't have bank accounts at all. (This despite an admirable push for financial inclusion on the part of the Indian government, which led to 175 million new bank accounts between 2011 and 2014.) The government has brought out a new 500-rupee note and a new denomination, a 2,000-rupee note, but there isn't nearly enough of the new cash to replace the old, nor will there be anytime soon.

From the outside, you have to wonder what on earth would make it desirable to undertake an experiment of this scale and apparent recklessness. As it turns out, there are good reasons for having doubts about the way cash works in the contemporary economy. In a brilliant and lucid new book, *The Curse of Cash*, the Harvard economist Kenneth Rogoff gives a fascinating and thorough account of the argument against cash. There are two main pillars to it. The first and more wonkish concerns something called the "zero lower bound." Because official interest rates can't be set below zero – if they were, people would just hold cash instead – the tool kit of monetary policy has a built-in limit. This might sound like a small point, but as Rogoff explains, "the zero bound has essentially crippled monetary policy across the advanced world for much of the past eight years." Governments want to get money moving in the economy, but in a world awash in paper currency, monetary policy can do nothing further to help. If central banks could go below the zero bound, as a cashless economy would allow, they could in effect force people to spend their money and thereby kick-start the economy.

The zero bound, however, is not the issue in India. There, the main focus is the second big argument against cash: that far too much of it is involved in crime. Think for a moment about how much actual physical cash you have. I'm willing to bet you're a long way below the per-capita amount of dollars in circulation in the United States: $4,200 for every man, woman and child in the country. Eighty percent of that is in the form of $100 bills, which many Americans hardly ever see. Where is all this money? The short and very disconcerting answer is that, in Rogoff's words, "treasuries and central banks simply do not know" where this money is.

If there is no cash, there is nowhere for the private citizen to hide any assets at all, not just for criminal reasons but simply for financial security.

Among students of the subject, the assumption is that this cash is overwhelmingly used for activities that evade tax but are otherwise legal (for instance, paying workers, from builders to babysitters, off the books) but also for outright crime. The "underreporting of business income by individuals who conduct a significant share of their transactions in cash" is, Rogoff reports, the single biggest contributor to the "tax gap," the approximately $500 billion annual difference between federal tax voluntarily paid and tax due. The numbers for untaxed criminal transactions are huge, too. One example: Business in the United States for the four main drugs – heroin, cocaine, marijuana and methamphetamine – is worth $100 billion a year, almost all of it carried out in cash.

A million dollars in $100 bills weighs 22 pounds and can fit in a shopping bag. Imagine that a proposal to phase out high-denomination notes was implemented in the United States. If the highest-denomination note were $10, that million bucks would weigh 10 times more, take up 10 times as much space and be a lot harder to hide – and how many legal activities would be disadvantaged as a result? This is why Modi went after cash: The idea was to crack down on what he calls "black money," a term encompassing tax evasion and all forms of crime up to and including the use of counterfeit currency to fund terrorism. By the end of 2016, Indians with serious "black money" (including counterfeit versions of the old bills) had no choice except to either trash it or take it to a bank and explain how they earned it.

This Indian experiment is far from over yet, and the initial chaos may well yield to an outcome that feels as if it was worth the trouble. As of late December, it was estimated that nearly 15 trillion rupees had been deposited in banks, out of a total 15.4 trillion rupees outstanding, meaning that 97 percent of the relevant cash was now legal and in the system, an outcome that no doubt exceeds the government's expectation.

I wonder, though, about the wisdom of the anti-cash crusade. The problem with the argument is that it concedes too much power to the modern triple-headed monster of the economy – the state, the central bank and the banking system. If there is no cash, there is nowhere for the private citizen to hide any assets at all, not just for criminal reasons but simply for financial security. The year 2008 was a reminder of how fragile our banking system is and how all-encompassing financial crisis can be. Merryn Somerset Webb, editor of the financial-advice magazine *MoneyWeek*, has argued that one of the best things an individual can do, with banks fragile and interest rates low, is buy a good safe and fill it with cash. I have no desire to do that myself, but it is reassuring to know that if I wanted to, I could.

The rich have many ways of hiding assets and making them safe from states and from the taxman. As we've recently been reminded, some very rich people don't pay any income tax at all. Cash is one of the few ways in which ordinary citizens can enjoy a tiny taste of the freedom, privacy and security that the rich take as their due. That, for me, is what's missing in the critique of cash. If there were to be a big convincing, systemwide drive to tax the hidden assets of the rich, to drag them inside the same norms that constrain the rest of us, to make it clear that we are all playing by the same rules – well, then maybe we can start to talk about abolishing cash. Until then, we would do well to bear in mind a favorite line of the pro-cash lobby, Dostoyevsky's observation from a czarist prison: "Money," he wrote, "is coined liberty."

John Lanchester has written eight books, including the novel Capital *and, most recently,* How to Speak Money: What the Money People Say – and What It Really Means.

Our Comment

The drive for a cashless society is but one example of the need to think beyond so narrow a focus as a particular, troublesome feature of the system and, instead, to rethink the system itself.

Why don't people pay their taxes? Why is the drug trade such a thriving black-market enterprise? Why should the majority of Indians work in the "unorganized" economy? What could account for the astonishing number of children who go missing in India?

These are symptoms of a failing society. The cashless remedy scarcely seems adequate!

Élan

Demonetization: The Sinister Agenda Behind Washington's "War On Cash"

By F. William Engdahl, Global Research, January 23, 2017

It's kinda sneaking up on us like an East Texas copperhead pit viper. It began to get some wide attention in 2016, with prominent economists and financial media suddenly talking about the wonderful benefits of a "cashless society." Then the government of Narendra Modi completely surprised his citizens by suddenly announcing withdrawal of larger denomination currency notes from circulation, forcing Indians to put their cash into banks or lose it. Now, everywhere we turn, it seems, someone is arguing the Nirvana benefits of a cashless, "digital" money world. It reminds me in an eerie way of a statement attributed to then US Secretary of State, Henry Kissinger in the 1970s. He reportedly stated, "If you control oil, you control entire nations; if you control food, you control the people; if you control money, you control the entire world." Consider the following in this regard.

Modi and a USAID "Catalyst"

On November 8, 2016, in a surprise televised address, Indian Prime Minister Narenda Modi announced that, within a deadline of days, all Indian currency notes of 500 and 1,000 Rupees must be put in a bank account and exchanged for smaller denomination notes. At today's exchange rate 1,000 Rs is roughly equal to \$15. This would perhaps be equivalent to the US Treasury outlawing all cash notes larger than a \$10 bill.

Overnight, Modi's government de facto outlawed an estimated 86 percent of all cash in circulation by value. People had 50 days to hand in the notes or they become worthless. Yet the government, despite stating it would issue new, more secure 500Rs and 1000Rs bills, had nowhere near the equivalent value of new notes ready for replacement. They say it may take up to a year to print enough, which means confiscation, de facto. Faked opinion polls with slanted questions done only via smart phone apps of which only 17% of the population has access, claimed that "90% of Indians approve" the demonetization.

Yet it's far worse. India is an underdeveloped country, the largest in the world in population terms with more than 1.3 billion people. By demanding Indians turn in all 500Rs and 1,000Rs bills to banks, Modi is forcing major change in how Indians control their money in a country high on the corruption scale where few trust government let alone private banks, and prefer to deal strictly in cash or hoard gold for value. Nearly half the population, some 600 million Indians, do not hold a bank account and half of those, some 300 million Indians, lack a government identification, necessary to open an account.

When he presented his shock announcement, Modi pitched it in terms of going after India's black economy. Soon he shifted gears and was praising the benefits of a "cash-less society" to enable Indians to enter the digital age, appealing to younger Indians, savvy in smart phones and digital networks, to convince the older of the benefits of online banking and consuming. The drastic demonetization declaration was planned by Modi and five other inner-circle ministers in complete secrecy. Not even the banks were told before. The question is what is behind, or rather who is behind this drastic form of monetary shock therapy?

Beyond Cash

The answer is as sinister as it is suggestive of a larger global agenda by what I call in one of my books the Wall Street "Gods of Money." The Modi cash-less India operation is a project of the US National Security Council, US State Department and Office of the President administered through its US Agency for International Development (USAID). Little surprise, then, that the US State Department spokesman, Mark Toner in a December 1, 2016, press briefing praised the Modi demonetization move stating, "…this was, we believe, an important and necessary step to crack down on illegal actions…a necessary one to address the corruption."

Keep in mind that USAID today has little to do with aiding poorer countries. By law it must follow the foreign policy agenda of the President's National Security Council and State Department. It's widely known as a conduit for CIA money to execute their dirty agendas abroad in places such as Georgia. Notably, the present head of the USAID, Gayle Smith, came to head USAID from her post as Senior Director at the US National Security Council.

German economist and blogger, Norbert Haering, in an extensive, well-documented investigation into the background of the bizarre Modi move to a cash-less India, found not only USAID as the key financial source of the project. He also uncovered a snakepit of organizational vipers being funded by USAID to design and implement the India shock therapy.

USAID negotiated a co-operation with the Modi Indian Ministry of Finance. In October, 2016 in a press release USAID announced it had created and funded something it named Project Catalyst. The title of their report was, "Catalyst: Inclusive Cashless Payment Partnership." Its stated goal it said was to bring about a "quantum leap" in cashless payment in India.

They certainly did that. Maybe two quantum leaps and some.

If we dig a bit deeper we find that in January, 2016, USAID presented the Indian Finance Ministry a report titled, Beyond Cash: Why India loves cash and why that matters for financial inclusion. Financial "inclusion" for them means getting all Indians into the digital banking system where their every payment can be electronically tracked and given to the tax authorities or to whomever the government sees fit.

Astonishingly, the report, prepared for USAID by something called the Global Innovation Exchange, admitted that "97% of retail transactions in India are conducted in cash or check; Few consumers use digital payments. Only 11% used debit cards for payments last year. Only 6% of Indian merchants accept digital payments…. Only 29 percent of bank accounts in India have been used in the last three months." The US and Indian governments knew very well what shock they were detonating in India.

The Global Innovation Exchange includes such dubious member organizations as the Bill & Melinda Gates Foundation, a major donor to the Modi war on cash initiative of USAID. It also includes USAID itself, several UN agencies including UNICEF, UNDP, UNHCR. And it includes the US Department of Commerce and a spooky Maclean, Virginia military contractor called MITRE Corporation whose chairman is former CIA Director, James Rodney Schlesinger, a close associate of Henry Kissinger.

The USAID Project Catalyst in partnership with the Indian Finance Ministry was done, according to the USAID press statement, with a sinister-sounding organization called CashlessCatalyst.org. Among the 35 members of CashlessCatalyst.org are USAID, Bill & Melinda Gates Foundation, VISA, MasterCard, Omidyar Network of eBay billionaire founder Pierre Omidyar, the World Economic Forum-center of the globalization annual Alpine meetings.

War on Cash

However, a most interesting member of the USAID Project Catalyst together with the Indian Ministry of Finance is something called Better Than Cash Alliance. In point of fact the US-government-finance Project Catalyst grew out of a longer cooperation between USAID, the Washington-based Better Than Cash Alliance and the Indian Ministry of Finance. It appears to be the core public driver pushing the agenda of the global "war on cash."

India and the reckless (or corrupt) Modi government implementing the USAID-Better Than Cash Alliance agenda is clearly serving as a guinea pig in a mass social experiment about how to push the cash war in other countries. The Better Than Cash Alliance is described by the UNCDF, which is its Secretariat, as "a US $38 million global alliance of governments, private sector and development organizations committed to accelerating the shift from cash to electronic payments."

The Better Than Cash Alliance website announces that the alliance, created in 2012, is a "partnership of governments, companies, and international organizations that accelerates the transition from cash to digital payments in order to reduce poverty and drive inclusive growth." It's housed at the UN Capital Development Fund (UNCDF) in New York whose major donors, in turn, surprise, surprise, are the Bill & Melinda Gates Foundation and MasterCard Foundation. Among the Better Than Cash Alliance's 50 members are, in addition to the Gates Foundation, Citi Foundation (Citigroup), Ford Foundation, MasterCard, Omidyar Network, United States Agency for International Development, and Visa Inc.

Recently the European Central Bank, which has held negative interest rates for more than a year, allegedly to stimulate growth in the Eurozone amid the long-duration banking and economic crisis of almost nine years, announced that it will stop printing the €500 note. They claim it's connected with money laundering and terror financing, though it ominously echoes the Modi India war on cash. Former US Treasury Secretary Larry Summers, whose shady role in the 1990s rape of Russia through his Harvard cronies has been documented elsewhere, is calling for eliminating the US $100 bill. These are first steps to future bolder moves to the desired Cash-less society of Gates, Citigroup, Visa et al.

US Dual Standard: Follow the money…

The move to a purely digital money system would be Big Brother on steroids. It would allow the relevant governments to monitor our every money move with a digital trail, to confiscate deposits in what now are legal bank "bail-ins" as was done in Cyprus in 2013. If central banks move interest rates into negative, something the Bank of Japan and ECB in Frankfurt are already doing, citizens have no choice than to spend the bank money or lose. It is hailed as a way to end tax avoidance but it is far, far more sinister.

As Norbert Haering notes, "the status of the dollar as the world's currency of reference and the dominance of US companies in international finance provide the US government with tremendous power over all participants in the formal non-cash financial system. It can make everybody conform to American law rather than to their local or international rules." He adds, referring to the recent US Government demand that Germany's largest bank, Deutsche Bank pay an astonishing and unprecedented $14 billion fine, "Every internationally active bank can be blackmailed by the US government into following their orders, since revoking their license to do business in the US or in dollar basically amounts to shutting them down."

We should add to this "benevolent concern" of the US Government to stimulate a War on Cash in India and elsewhere the fact that while Washington has been the most aggressive demanding that banks in other countries enact measures for full disclosure of details of Swiss or Panama or other "offshore" secret account holders or US nationals holding money in foreign banks, the USA itself has scrupulously avoided demanding the same of its domestic banks. The result, as Bloomberg noted following the suspiciously-timed Panama Papers offshore "leaks" of May, 2016, is that the United States is rapidly becoming the world's leading tax and secrecy haven for rich foreigners.

Perversely enough, in 2010 the US passed a law, the *Foreign Account Tax Compliance Act*, or FACTA, that requires financial firms to disclose foreign accounts held by US citizens and report them to the US IRS tax office or the foreign banks face steep penalties. The EU signed on to the intrusive FACTA despite strong resistance. Then, using FACTA as the model, the Paris-based OECD drafted an even tougher version of FACTA in 2014 to allegedly go after tax avoiders. To date 97 countries have agreed to the tough OECD bank disclosure rules. Very few have refused. The refusers include Bahrain, Nauru, Vanuatu – and… the United States.

World's Biggest Tax Haven

You don't have to be a rocket scientist, a financial wizard or a Meyer Lansky to see a pattern. Washington forces disclosure of secret bank accounts of its citizens or companies abroad, while at the same time lifting control or disclosure inside the United States of private banking accounts. No surprise that such experienced private bankers as London's Rothschild & Co. have opened offices in Reno Nevada a stone's throw from Harrah's and other casinos, and according to Bloomberg, is doing a booming business moving the fortunes of wealthy foreign clients out of offshore havens such as Bermuda, or Switzerland which are subject to the new OECD international disclosure requirements, into Rothschild-run trusts in Nevada, which are exempt from those disclosure rules.

Rothschild & Co. Director, Andrew Penney noted that as a result, the United States today, "is effectively the biggest tax haven in the world." Today Nevada, Meyer Lansky's money laundering project of the 1930s with established legalized gambling, is becoming the "new Switzerland." Wyoming and South Dakota are close on the heels.

One area where America's institutions are still world class is in devising complex instruments of financial control, asset theft and cyber warfare. The US War on Cash, combined with the US Treasury and IRS war on offshore banking is their latest model. As Washington's War on Terror had a sinister, hidden agenda, so too does Washington's War on Cash. It's something to be avoided at all costs if we human beings are to retain any vestige of sovereignty or autonomy. It will be interesting to see how vigorously Casino mogul Trump moves to close the US tax haven status. What do you bet he doesn't?

F. William Engdahl is strategic risk consultant and lecturer, he holds a degree in politics from Princeton University and is a best-selling author on oil and geopolitics, exclusively for the online magazine "New Eastern Outlook."

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Our Comment. "If you control oil, you control entire nations; if you control food, you control the people; if you control money, you control the entire world." What more is there to say?! *Élan*

Why You Need to Prepare for the Cashless Society

By Joshua Krause, Activist Post, March 8, 2016

Last month, the European Central Bank suggested that the 500-euro note needs to be eliminated. Not long after, academics and policy makers in the US started to call for the elimination of the $100 bill. This isn't something that the average person really thinks about on a regular basis, or even cares about. The vast majority of our purchases are done through digital channels these days. Unless you're about to buy a used car on Craigslist, you probably won't be needing the hundred-dollar bill. For most people, eliminating it would be an inconvenience at best.

So what gives? Why is anyone even considering the elimination of these bills? It seems like there is simply no need for it.

The truth is there are a lot of reasons why governments and banks want to eliminate these high denomination notes, and none of them are good. It should go without saying that the people who are pushing this are not going to give you a straight answer. You're going to hear them give the same excuse over and over again for the foreseeable future: Large denominations are indispensable for black market transactions. They enable drug dealers, tax evaders, corruption, and terrorism.

But that's just what they'll say in the beginning. One day they'll give all those same excuses, except instead of suggesting the elimination of large denomination bills, they'll suggest we get rid of cash instead.

That's right. What the government, multinational corporations, and the central banks really want, is a completely cashless society, and they're going to start by eliminating the bills we don't use very often. Pro-gun supporters will recognize this strategy as the "slippery slope." Start out with something small that sets a precedent, and quietly eliminate everything over a long period time so no one notices.

Eliminate certain bills, restrict large cash purchases, demonize people and businesses that hold large amounts of cash and confiscate their wealth through asset forfeiture, flag bank accounts that transfer large sums of money, etc. You may recognize some of those as policies that are already in place. The anti-cash crusade is happening right now, and here's the real reason why:

For starters, there are people in both the public and private sector that want to track everything you do. Like a stalker, they just *really really* want to get to know you better. They want an intimate knowledge of what you buy and sell. The corporations that are in bed with our government would love to have this knowledge, so they can do a better job of tailoring their marketing to you.

The governments that are in bed with the corporations want to use that knowledge to rule every aspect of your life. You can't live if you can't buy and sell, so without cash you'll be locked into a system that you can't opt out of. They say that cash is for terrorists and criminals, but they don't want you to realize that you're in the same boat as them. No cash means no anonymous transactions.

The second biggest reason? They want to steal from you. Taxes aren't enough. They can't bring themselves to stop spending our money and putting us into debt, and we don't want to give them anymore money, so raising taxes through a legitimate political process is off the table.

Instead they're going to lower your interest rates. How low? Ideally they want negative interest rates. They want to make it impossible for you to save money. The excuse for this will be different from before. They'll do it when the next major recession hits, so they can say that it'll be good for the economy. If saving money means losing money, then you'll spend money, thus supporting the economy. But really, they just want to legally steal from you (insert taxation joke here). They know that if cash isn't eliminated before these negative rates are implemented, you can simply pull your money out of the bank and hide it in your mattress. They don't want to leave you with any choice.

As you can see, physical cash is an essential means for maintaining your liberty. That's why, in light of recent calls to disband high denomination bills, two right-wing Swiss politicians have proposed the exact opposite. Philip Brunner and Manuel Brandberg have suggested the creation of a 5,000 franc note to ensure the safe haven status of Switzerland's currency. Their reason? Cash is so important to individual liberty, that it could be compared to the right to bear arms.

In this context "cash is comparable to the service firearm kept by Swiss citizen soldiers," the pair argued in their motion, saying they both "guarantee freedom."

"In France and Italy already cash payments of only up to 1,000 euros are allowed

Continued on page 19

India, Death by Demonetization: "Financial Genocide," The Crime of the Century

By Peter Koenig, Global Research, January 20, 2017

A Financial genocide, if there was ever one. Death by demonetization, probably killing hundreds of thousands, if not millions of people, through famine, disease, even desperation and suicide – because most of India's money was declared invalid. The official weak reason for this purposefully manufactured human disaster is fighting counterfeiting. What a flagrant lie! The real cause is of course – you guessed it – an order from Washington.

On 8 November, Narendra Modi, the Indian Prime Minister, brutally declared all 500 (US$ 7) and 1,000 rupee-notes invalid, unless exchanged or deposited in a bank or post office account until 31 December 2016. After this date, all unexchanged "old" money is invalid – lost. Barely half of Indians have bank accounts.

The final goal is speedy global demonetization. India is a test case – a huge one, covering 1.3 billion people. If it works in India, it works throughout the developing world. That's the evil thought behind it. "Tests" are already running in Europe.

The Nordic countries, Sweden, Denmark, Finland, are moving rapidly towards cashless societies. Electronic money, instead of cash, allows the hegemon to control the entire western world, all those who are enslaved to the dollar monetary system. Meaning literally everybody outside the Shanghai Cooperation Organization (SCO) that includes, China, Russia, most of Central Asia, Iran, Pakistan and – yes, India is an apparent candidate to join the SCO alliance.

There was no limit set in rupee amounts that were allowed to be deposited in bank or postal accounts. But exchanges or withdrawals were limited the first two days to 2,000 rupees, later to 4,000 rupees, with promises to further increases "later on." The restrictions have to do with limited new bank notes available. The new money is issued in denominations of 500 and 2,000 rupee-notes.

On 9 November, none of the country's ATM machines were functioning. Withdrawing money was possible only from banks. Queues behind bank counters were endless – lasting hours and in some cases days. Often times, once at the teller, the bank was out of cash. Imagine the millions, perhaps billions of labor hours – production time and wages – lost – lost mostly by the poor.

The banned bank notes constitute about 85% in value of all cash in circulation. India is a cash society. About 97% of all transactions are carried out in cash. Only slightly more than half the Indian population has bank accounts; and only about half of them have been used in the last three months. Credit or debit cards are extremely scarce – basically limited to the 'creditworthy' elite.

In rural areas, where most of the poor live, banks are scarce or none existent. The poor and poorest of the poor, again – as usual – are those who suffer most. Hundreds of thousands of them have lost almost all they have and will be unable to fend for their families, buying food and medication.

According to most media reports, Modi's demonetization was an *arbitrary* decision. Be sure, there is nothing arbitrary behind this decision. As reported on 1 January 2017 by German investigative business journalist, Norbert Haering, in his blog, "Money and More," this move was well prepared and financed by Washington through USAID.

Mr. Modi didn't even bother presenting the idea to the Parliament for debate.

In November 2010 President Obama declared with then Prime Minister Manmohan Singh, a Strategic Partnership with India. It was to become one of his foreign policy priorities which was renewed during Obama's visit to India in January 2015 with the current PM Modi (image right). The purpose of this partnership was not just to pull one of the most populous BRICS countries out of the Russia-China orbit, but also to use it as a test case for global demonetization. Mind you, the orders came from way above Obama, from the omnipotent, but hardly visible Rothschild-Rockefeller – Morgan – *et al*, all-domineering bankster cartel.

This horrendous crime that may cost millions of lives, was the dictate of Washington. A cooperation agreement, also called an "anti-cash partnership," between the US development agency (sic), USAID, with the Indian Ministry of Finance, was worked out. One of their declared 'common objectives' was gradually eliminating the use of cash by replacing it with digital or virtual money.

It takes two to tango. The PM of the second largest nation in the world, one would expect, would have a say in the extent to which a foreign country may interfere in India's sovereign internal affairs, i.e. her monetary policies – especially a foreign country that is known to seek only *Full Spectrum Dominance* of the globe, its resources and its people. The head of India, a prominent BRICS country (BRICS = Brazil, Russia, India, China, South Africa), one would expect, could have sent the naked emperor to climb a tree – and say NO to this horrendous criminal request. But Modi did not.

Is India with PM Modi still a viable BRICS country? Or more importantly, India is currently poised to become a member of the Shanghai Cooperation Organization (SCO). Is India under Modi worthy of being admitted into this powerful Asian economic and military block, the only authoritative counterbalance to the west? – At this point, putting hundreds of millions of his countrymen at peril by obeying Washington's nefarious dictate, Modi looks more like a miserable traitor than a partner of the New East.

USAID calls this operation "Catalyst"

Inclusive Cashless Payment Partnership." Its purpose is "effecting a quantum leap in cashless payment in India" – and of course, eventually around the globe. According to the Indian *Economic Times*, this program had been stealthily financed by USAID over the past three years. Funding amounts are kept secret. Who knows, where else in the world *Catalyst* is quietly funding and preparing other human financial disasters.

All fits into the Big Scheme of things: Reducing the world population, so less resources are needed to maintain 7.4 billion people – and growing – many of them finite resources that can be used by a small elite, supported by a few million slaves. This is the world according to still ticking war criminal numero UNO, Henry Kissinger. Forcefully reducing the world population is his one big objective since just after WWII, when he became a key member of the Rockefeller sponsored Bilderberg Society.

Some of the same people are currently spreading neo-fascist mantras around the world, at the infamous WEF (World Economic Forum) in Davos, Switzerland (17-20 January 2017). WEF attendees (by invitation only) are a mixed bag of elitist "private" billionaires, corporate CEOs (only corporations registering at least US$ 5 billion in sales), high-flying politicians, Hollywood's cream of the crop, and more of the kind. Pretty much the same definition applies to the Bilderbergers.

Like with the Bilderbergers, the key topics discussed at the WEF, those themes that are supposed to guide the world further and faster towards the New (One) World Order, are discussed behind closed doors and will hardly surface into the mainstream. It is, however, highly likely that the "Cashless India" decision – a trial for the rest of the world – had previously been discussed and "ratified" by the WEF, as well as the Bilderbergers. None of this is known to the common people, and least to the Indians.

All-out efforts are under way to maintain highly lucrative disaster capitalism, or at least to slow down its decline – because its end is in sight. It's just a question of time. Hence, the term Catalyst (accelerator) for the USAID program is well chosen. Time is running out. One of the best ways of controlling populations and unbending politicians is through financial strangleholds. That's what a cashless society is all about.

According to Badal Malick, former Vice President of India's most important online marketplace Snapdeal, later appointed as CEO of *Catalyst:*

"Catalyst's mission is to solve multiple coordination problems that have blocked the penetration of digital payments among merchants and low-income consumers. We look forward to creating a sustainable and replicable model…. While there has been…a concerted push for digital payments by the government, there is still a last mile gap when it comes to merchant acceptance and coordination issues. We want to bring a holistic ecosystem approach to these problems."

This is further supported by Jonathan Addleton, USAID Mission Director to India: "India is at the forefront of global efforts to digitize economies and create new economic opportunities that extend to hard-to-reach populations. Catalyst will support these efforts by focusing on the challenge of making everyday purchases cashless."

What an outright heap of bovine manure!

Those who are supporting the *Catalyst* idea in India – and presumably elsewhere in the world, are, as per an USAID *Beyond-Cash* report, more than 35 Indian, American and international organizations (http://cashlesscatalyst.org), mostly IT and payment service providers, including the Better Than Cash Alliance, the Gates Foundation (Microsoft), Omidyar Network (eBay), the Dell Foundation MasterCard, Visa, Metlife Foundation. All of them want to make money from digital payments – another transfer from the poor to the rich – another catalyst for widening the rich-poor gab – worldwide.

Our Comment

As we know from *austerity* provisions, now common among developed nations, methods once applied in developing nations (conditioned through similar programs called Structural Adjustment Programs – SAPS), have a way of catching up to the rest of us.

Could this "anti-cash *partnership*" be a cautionary tale? Is the suggestion that it may cost millions of lives incredible or shocking?

"Traitor" seems to be a word gone lost in the humdrum reality of everyday betrayal through behind-door deals like this one!

Glad there is someone keeping track of who's supporting operations *catalyst!*

What will it take to draw the losers and prospective losers among us to the level of solidarity that the winners enjoy at this stage of our struggle?

Élan

Cashless *from page 17*

and the question of the abolition of cash is being seriously discussed and considered in Europe, " Brunner said on his Facebook page. The move toward electronic payments allows governments "total surveillance" over individuals, the pair claim.

So how will you preserve your freedom if, and probably when this comes to pass?

The most obvious solution would be to stock up on gold and silver before the cash ban arrives, because that is really the best alternative. Precious metals provide the only other convenient way to make untraceable purchases (you'll probably start to see underground markets pop up to cater to many of the normal purchases you make every day). After all, gold and silver were the most popular forms of currency until the 20th century. Alternatively you could put your money in any physical asset that may hold its value, such as land or firearms for example; but for daily purchases, gold and silver are king.

Of course, the government could try to ban that as well. They tried confiscating gold before and they could do it again. However, it's not going to do them any good. When negative interest rates arrive with the cashless society, there will be millions of people moving their assets into gold and silver. They'll be joining everyone who is operating in the black market, who will have already moved into precious metals by necessity.

There would be widespread disobedience against those rules. Nobody is going to give a damn about the laws at that point. If the government tries to brazenly wipe out everything you've earned throughout your entire life, you won't be too concerned about the law and neither will millions of other savers. With that many people, it will be impossible for the government to really clamp down on it.

Honestly, they'll be just as successful in preventing you from owning gold and silver, as they are in preventing you from buying pot. And the cops will have their savings wiped out as well, so they'll be playing the same game you are. It'll be prohibition all over again.

In short, gold and silver are the best things you can buy to prepare yourself for the cashless society. A lot of people will be rushing into precious metals if our government decides to get rid of cash, and the government will likely be helpless to stop you. So stock up now before the herd *realizes what's happening to them.*

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Our Comment. Hoarding precious metals is hardly a panacea. Better to mobilize against this cashless society, before it is too late! *Élan*

Ignoring Chicago, Toronto Has a Big, Stupid Idea

By Joyce Nelson, counterpunch.org, March 8, 2017

Last weekend, the good folks of Toronto, Ontario learned that their elected officials at City Hall are considering selling off the Toronto Parking Authority – which operates dozens of municipal parking lots as well as on-street parking.[1]

It's a big, stupid idea that indicates our "city fathers" apparently don't read, but also that they can't see through the latest scam being sold by some corporate lobbyist.

It's as though the Innocents in Toronto City Hall have never heard of the parking meter scandal that ate Chicago and has become an unmitigated disaster – even though more press has likely been given to that fiasco than to any other public-private partnership (P3) undertaken in recent US history.

To recap: in 2008, Chicago's then-Mayor Richard Daley convinced city aldermen to approve a 75-year lease by which the city's 36,000 parking meters were handed over to a private consortium led by Wall Street titan Morgan Stanley. In exchange, Chicago got a one-time payment of $1.2 billion.

Within a short time, it became clear that this was a bad deal, with parking meter rates suddenly increasing fourfold, and free parking in the evenings jettisoned by the new private owners. Obviously, Chicago's residents, accustomed to street parking, were forced to find other arrangements, while Chicago's retail and entertainment sectors were hit badly by the new rates, which caused a marked "decrease in economic activity."[2] But the city's taxpayers were hit even harder.

According *The Atlantic*, "An inspector general's report found that the deal was worth at least $974 million more than the city had gotten for it. Not only would the city never have a chance to recoup that money or reap new meter revenue for three-quarters of a century, clauses buried in the contract required it to reimburse the company for lost meter revenue."[3]

Not only did the city of Chicago give up billions of dollars in revenue when it signed the 75-year lease, the contract was also "the gift that keeps on giving" to Morgan Stanley and friends. Buried in the contact was a clause (called Adverse Action rights) that means "any action that prevented parking at the meters – for example, when a sewer was repaired or a street fair was held – would require the public to reimburse the contractor for its lost parking meter revenue."[4] Parades, festivals, even routine road maintenance cause financial penalties for the city under the contract, amounting to millions of dollars.

Moreover, a 2009 study by Chicago's Active Transportation Alliance found that "…every potential project on a street with meters, including bus rapid transit, bicycle lanes, sidewalk expansion, streetscaping, pedestrian bulb-outs, loading zones, rush hour parking control, mid-block crossing and temporary open spaces" would cost the city money because it would mean less parking at parking meters owned by the Morgan Stanley consortium.[4]

As one writer put it, "anything that promoted less driving" would cost the city money.[5]

Chicago privatized its parking meters because of budget troubles. But according to Ellen Dannin at Truthout, "privatization has made basic city maintenance more expensive…. Before signing the Parking Meter contract, Chicago's budget for sewer and water main repairs did not include the additional costs of paying Adverse Action claims. Now AA compensation must be added to the cost of repairs. That means less money is available, including less money to make repairs. That budget pinch may force the city to defer maintenance and repairs, to defer repairs or replacements past the useful life of the current infrastructure, or to take other cost-saving measures that are not optimal."[6]

As well, other clauses in the contract mean Chicago "won't be able to make, for 75 years, fundamental economic development, land use or environmental policy decisions – anything that would affect the revenue of the parking company."[7]

Apparently, Chicago's city aldermen were given a mere two days to review the 686-page parking meter contract. As well, there were no public hearings on the deal. Now Chicago has become a case-study on just how badly the public can be screwed by privatization of its municipal assets.

The fact that Toronto City Hall is even considering its own parking meter deal – despite the evidence in Chicago – conjures up P.T. Barnum's observation that "there's a sucker born every minute." Just why we keep electing them is another matter.

Joyce Nelson's sixth book, Beyond Banksters: Resisting the New Feudalism*, can be ordered at www.comer.org/bookstore. She can be reached through www.joycenelson.ca.*

Endnotes

1. David Rider and Patty Winsa, "John Tory denies report Hydro One is in talks to buy Toronto Hydro," *The Toronto Star*, March 4, 2017.
2. Donald Cohen, "Cities Need to Weight Costs of Private Partnerships," *The New York Times*, July 23, 2013.
3. Molly Ball, "The Privatization Backlash," *The Atlantic*, April 23, 2014.
4. Ellen Dannin, "Costs of Privatization Hidden in Plain Sight," Truthout, January 28, 2014.
5. Ibid.
6. Ibid.
7. Cohen, op. cit.

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Our Comment. This P3 debt-trap is a bird's-eye view of what we can expect at the provincial and federal levels. Perpetrated by *"innocents"*? *Élan*