THE JOURNAL OF THE COMMITTEE ON MONETARY AND ECONOMIC REFORM

COMER

$3.95 Vol. 29, No. 2 • MARCH–APRIL 2017

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Publications Mail Agreement No. 41796016

Sovereignty and "Free Trade"

"A Northern Power"

The following brief history is an excerpt from an article, "Canada: 'A Northern Power' Once Again? NAFTA, 'A Monstrous Swindle,'" written by David Orchard, published by Global Research, November 21, 2016

Opportunity for Canada to regain economic independence

In 1854, Canada entered its first free trade (or Reciprocity) treaty with the United States and by 1866 it was clear the Canadian colonies were being absorbed into the US. A bill was introduced in Congress for their admission as "States and Territories of the United States of America." In that year, however, the US unilaterally abrogated the agreement. In shock, the Canadian colonies decided to unite and create their own economy – "a northern power." On July 1, 1867, the Dominion of Canada was born.

In the following decades, under John A. Macdonald's National Policy, an east-west Canadian economy was fostered, and it prospered. There was no income tax; Georges-Ètienne Cartier, co-founder of Confederation with Macdonald, opposed taxing the population and insisted that government revenue come from duties on imported goods. In 1911, however, Wilfrid Laurier's Liberals proposed free trade with the US. and Conservative finance critic George Foster warned of "deep danger" ahead. "The best kick that Canada ever had," Foster said, was abrogation of the 1854 Reciprocity Treaty. "Canadian nationality" began to develop, using "Canadian resources for Canadian developments" and "Canadian routes for Canadian trade." Then "new blood pulsed in our veins, new hopes…new horizons and new visions." Canadians voted against the free trade proposal.

However, in 1988 Canada entered a free trade agreement with the US (FTA) giving sweeping rights to US corporations to buy up most of the Canadian economy and a clause allowing the US a majority of Canada's total energy supplies even if Canada itself goes short. Canada also committed to never, through any government action, charge Americans more for "any good" exported to the US, than it charges Canadians! In the 1988 election, a majority of Canadians voted for parties opposed to the FTA in what then Prime Minister Brian Mulroney called a referendum on free trade. The people's verdict was not honoured….

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

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Our Comment. What happened to those new "hopes…new horizons and new visions"? *Élan*

End Patent and Copyright Requirements in NAFTA

By Dean Baker, Real-World Economics Review Blog, February 4, 2017

The trade deals negotiated in the last quarter century are becoming less focused on traditional trade barriers like tariffs and quotas. Instead, they are imposing a regulation structure on the parties, which tend to be very business oriented. In many cases, the rules being required under the trade deals would never be accepted if they went through the normal political process.

The renegotiation of the North American Free Trade Agreement allows the United States, Canada and Mexico to get rid of rules

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Economic Reform (ER)
(ISSN 1187–080X) is published bi-monthly by COMER Publications
27 Sherbourne Street North, Suite 1
Toronto, Ontario M4W 2T3 Canada
Tel: 416-924-3964, Fax: 416-466-5827
Email: comerpub@rogers.com
Website: www.comer.org

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Postmaster, please send address corrections to:
COMER Publications
27 Sherbourne Street North, Suite 1
Toronto, Ontario M4W 2T3

PRINTING AND DISTRIBUTION
Watt Solutions Inc., London

Printed in Canada on recycled paper.

Free Trade *from page 1*

that have no place in trade deals. At the top of this list is the Investor-State Dispute Settlement (ISDS) tribunals. These tribunals operate outside the normal judicial process. Their rulings are not bound by precedent, nor are they subject to appeal. Also, they are only open to foreign investors as a mechanism to sue member governments.

These tribunals can be used to penalize governments for measures designed to protect the environment, consumers, workers or to ensure the stability of financial institutions. TransCanada, the company that had been building the XL pipeline, gave us an example of how these tribunals can be used. It initiated a suit after President Barack Obama decided to cancel the pipeline. It is likely that we would see many more suits in the future using the ISDS tribunals if they are left in NAFTA and other trade deals.

The other non-trade elements that should be removed from NAFTA are the provisions requiring strong patent and copyright protection. These are forms of protectionism – the opposite of free trade – that can raise the price of the protected items by a factor of 10 or even 100. The impact of these protections is especially pernicious in the case of prescription drugs.

Drugs that would be readily available in a free market can be prohibitively expensive because of patent protection. For example, the Hepatitis C drug Sovaldi has a list price of $84,000 in the United States. A high-quality generic version is sold in India for less than $200.

While companies need an incentive for innovating, there are far more efficient mechanisms than patent monopolies. It doesn't make sense for a 21st century economy to be dependent on this relic of the feudal guild system for supporting innovation.

Ending the patent and copyright requirements in NAFTA would be a good first step. We need a fuller debate on modernizing our systems for financing innovation and creative work.

Our Comment

Why do we go on electing governments who "*negotiate*" trade deals that *don't* go through the normal political process!? What is there to encourage *any* hope that *this* government will take the existing NAFTA opportunity to behave any differently from his predecessors?

The greatest insulation our government has against democratic interference in what it is about, is our ignorance, hence out timidity, and the misinformation and general conditioning to which we are daily subjected. Yet another shield against meaningful public opposition is our antediluvian electoral system that perpetuates the power of existing fossilized political parties who take turns serving the few at the expense of the many.

Prime Minister Justin Trudeau's brazen retraction of his campaign promise to support electoral reform is no small hint of what we can expect this time around.

Without an effort to learn the truth – and it *is* out there – and to commit ourselves to supporting groups working for *positive* change, we greatly fortify the status quo.

Élan

Wallonia Warns It May Not Ratify Canada-European Union CETA "Free Trade" Deal

Brent Patterson's blog for the Council of Canadians, March 9, 2017

Paul Magnette, the minister-president of the French-speaking Belgian region of Wallonia, has warned it may not ratify the Canada-European Union Comprehensive Economic and Trade Agreement (CETA), which puts the ratification of the controversial "free trade" agreement in doubt. In order to be fully implemented, CETA must be ratified by 38 national and regional legislatures, including the Wallonian parliament.

On February 27, *The Daily Express* reported, "Magnette said CETA 'may never come into force' as he hit out at the European Union for leaving citizens vulnerable to globalization. Magnette warned even though the CETA deal had been signed, it could still fail to pass the ratification stage. He added: 'Nothing has yet been acquired. We signed only under conditions. For us Walloons, if some of the conditions are not fulfilled, we will not ratify it. In reality, CETA may never come into force definitively.'"

Now, *The Brussels Times* reports, "Magnette acknowledged [on March 7] the difficulties for the federal government in implementing the fiercely negotiated intra-Belgian agreement in the autumn by Wallonia. In giving the green light [for the signing of the deal], Wallonia had in particular demanded that Belgium asked the European Court of Justice to rule upon certain aspects of the commercial agreement's compliance with the European treaties, before any ratification of CETA. These issues, which are due to be included in a report by the federal government, are currently subject to negotiations between the Walloon and federal governments."

The article highlights, "[Magnette] laments that, 'Many [at the federal level] continue to minimize' the relevance of the approach demanded by Wallonia. He warned, 'However, whilst we are awaiting the responses from the European Court, we will not ratify the agreement in full.'"

And The Brussels Times notes, "Magnette also stated that the Walloons were not the most anxious to see the treaty applied in its entirety. The Minister-President recalled that Wallonia had only given the green light to the signature of CETA after receiving an undertaking that nineteen commitments would be embodied into the agreement. He concluded, 'We want these provisions to be fully integrated into the agreement otherwise we will not ratify the treaty.'"

In addition, the Belgian prime minister Charles Michel this week rejected the approach of US President Donald Trump and French right-wing leader Marine Le Pen. Michel says, "There is a silly reasoning that one should withdraw into oneself, that is the thesis carried by the left or the extreme left, by the right and by the extreme right, it is the two extremes that meet to fight. In the same way that it was the Left and the Far Left, it was Marine Le Pen in Europe that criticized initiatives like trade agreements." A spokesperson for the prime minister later clarified Michel was not likening Magnette to Le Pen.

Le Soir reports (in French), "For his part, Magnette believes that 'implicit or explicit, this kind of comparison with the extreme right, aimed at discrediting an opponent, is used when one is short of argument.' The Walloon Minister-President considers that the political debate 'is better than that' and deserves a 'more respectful' approach."

After the European Parliament voted 408-254 in favour of CETA on February 15, CBC quoted Council of Canadians chairperson Maude Barlow stating, "CETA opponents only need one no. CETA proponents need 38 yeses."

In October 2016, just after the CETA signing ceremony in Brussels, *The Globe and Mail* reported, "[It has] emerged [that CETA] could be scrapped at any time before final ratification. [That's because] the EU and Belgium have now agreed that any one of Belgium's regions can scrap CETA at any time before the final ratification vote if MPs don't believe CETA is working. That would effectively kill the treaty because it would mean Belgium couldn't ratify it."

It has also been argued that even the current provisional application of part of CETA can be undone should any EU member state reject CETA.

#StopCETA

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Our Comment. If Wallonia saw the need for *nineteen* commitments to make the deal palatable, perhaps the other signatories – or the people they represent – would be well advised to take another look. *Élan*

The Truth About NAFTA

By Laura Tyson, Project Syndicate, April 4, 2017

Berkeley – As US President Donald Trump receives bids to build his supposed "beautiful wall" along the border with Mexico, his administration is also poised to build some figurative walls with America's southern neighbor, by renegotiating the North American Free Trade Agreement. Before US officials move forward, they would do well to recognize some basic facts.

Trump has called NAFTA the "single worst trade deal" ever approved by the United States, claiming that it has led to "terrible losses" of manufacturing production and jobs. But none of this is supported by the evidence. Even NAFTA skeptics have concluded that its negative effects on net US manufacturing employment have been small to non-existent.

Trump may prefer not to focus on facts, but it is useful to begin with a few. Bilateral trade between the US and Mexico amounts to over $500 billion per year. The US is by far Mexico's largest trading partner in merchandise – about 80% of its goods exports go to the US – while Mexico is America's third-largest trading partner (after Canada and China).

After NAFTA's passage in 1994, trade between the US and Mexico grew rapidly. America's merchandise trade balance with Mexico went from a small surplus to a deficit that peaked in 2007, at $74 billion, and is estimated to have been around $60 billion in 2016. But, even as the US trade deficit with Mexico has grown in nominal terms, it has declined relative to total US trade and as a share of US GDP (from a peak of 1.2% in 1986 to less than 0.2% in 2015).

Perhaps more important, the US and Mexico aren't just exchanging finished goods. Rather, much of their bilateral trade occurs within supply chains, with companies in each country adding value at different points in the production process. The US and Mexico are not just trading goods with each other; they are producing goods with each other.

In 2014, Mexico imported $136 billion of intermediate goods from the US, and the US imported $132 billion of intermediate goods from Mexico. More than two-thirds of US imports from Mexico were inputs used in further processing – cost-efficient inputs that boost US production and employment, and enhance the competitiveness of US companies in global markets. Goods often move across the US-Mexico border numerous times before they are ready for final sale in Mexico, the US, or elsewhere.

When cross-border trade flows are occurring largely within supply chains, traditional export and import statistics are misleading. The auto industry illustrates the point. Automobiles are the largest export from Mexico to the US – so large, in fact, that if trade in this sector were excluded, the US trade deficit with Mexico would disappear.

But standard trade figures attribute to Mexico the full value of a car exported to the US, even when that value includes components produced in the US and exported to Mexico. According to a recent estimate, 40% of the value added to the final goods that the US imports from Mexico come from the US; Mexico contributes 30-40% of that value; the remainder is provided by foreign suppliers.

When the value-added breakdown is taken into account, the US-Mexico trade balance changes drastically. According to OECD and World Trade Organization calculations, the US value-added trade deficit with Mexico in 2009 was only about half the size of the trade deficit measured by conventional methods.

Trump claims that high tariffs on imports from Mexico would encourage US companies to keep production and jobs in the US. But such tariffs, not to mention the border adjustment tax that Congress is considering, would disrupt cross-border supply chains, reducing both US exports of intermediate products to Mexico and Mexican exports – containing sizable US value-added – to the US and other markets.

That would raise the prices of products relying on inputs from Mexico, undermining the competitiveness of the US companies. Even if supply chains were ultimately reconfigured, the US and Mexico would incur large costs – to both production and employment – during the transition period.

Imports from Mexico support US jobs in three ways: by creating a market for US

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"Tweaking" on...

Donald Trump: The Raw and Face of a System That Showers Speculators with Obscene Riches

The Real News Network, April 2017

Paul Jay says the enablers of Trumpism are the leaders of both major parties and the corporate media.

Donald Trump is not an aberration. He's the raw and naked face of an economic system that showers speculators with obscene riches and political power.

"I use emotion for the many and reserve reason for the few." That's a quote attributed to Adolf Hitler. Donald Trump is not the only actor on the political stage who ascribes to such methods. The enablers of this surging far right "populism" are the leaders of both major political parties and the corporate media.

Whether it's the charming smile of leading Democrats or the religious fervor and patriotic zeal of establishment Republicans, they both ensure super-profits for the super-rich. According to an IPS report, the *Forbes* list of the top 400 American billionaires hold more wealth than the bottom 61% of the nation combined. In the years of the Obama administration, the top 1% of the population captured 95% of the post-recession increase in income. This is the legacy Hillary Clinton promised to continue.

For most people living conditions are more insecure and for many desperate. No wonder some turn to a snake oil salesman. The growth of such inequality, managed by the Democratic and Republican Party leadership, has facilitated conditions for the election of this dangerous caricature.

Corporate media focuses on the horse race. A contest they need to feed their treasuries with the more than 6 billion dollars they reap in political advertising. They talk about Trump's temperament and showmanship as he surrounds himself with the dregs of the far political and religious right.

His VP and cabinet choices are war mongers and climate change deniers of the worst sort. He is poised to undo what's left of the New Deal, and in spite of his promises to American workers, he will intensify their exploitation.

The liberal media mostly ignores the complicity of their own political heroes. Instead they feast on a morbid fascination with Trump's outrageous racism and xenophobia. They make a furor about the alleged role of Russia in the release of emails, yet the more important issue here are the revelations about Clinton and her campaign.

The corporate media hide the underlying truth. The rise of such a dangerous farce to the White House is a sign of the deep decay of the system itself.

Capitalism has lost its dynamism. Too few people own far too much. More profits are generated from parasitical speculation than productive investment. The elites who revel on the deck of the Titanic have next to no interest in the well-being of the majority of people.

Trump's major billionaire backer Robert Mercer made his fortune in high frequency stock trading, gaming the stock market using advanced algorithms and data analysis to create unprecedented profits.

Mercer's daughter Rebecca helps run the Trump transition team, and key Trump advisors Kellyanne Conway and Steve Bannon both worked for Mercer.

Another major backer is Sheldon Adelson, who made his billions owning Las Vegas casinos. Adelson, a close ally of Israeli PM Netanyahu, reportedly gave Trump twenty-five million dollars.

From climate disaster to the destructive orgy of unrestrained finance, the billionaire class and their political minions are not even capable of dealing with threats to the very system that made them so wealthy. It's the whole of humanity that will pay the price.

The ruling elites are dysfunctional. Their answer in times like these has always been war. They are not fit to rule. A critical piece of this rotting politics is the corporate news media that makes the rule of billionaires seem so reasonable, civilized, and inevitable.

TV news, the gatekeeper of mass consciousness, is necessary to the elite's ability to maintain control. If we are to transform this country, we have to break the corporate monopoly on daily video news.

We need to speak to the real concerns of working people and focus on what real effective solutions look like. We must create a Global Climate Change Bureau. We need a global platform to discuss and debate what to do next.

In 2016, the movements for the Sanders campaign, to defend black lives and fight to save the planet, have challenged the politics of the powerful at an unprecedented scale.

If a broad front is built that can contest the elites' control of the political process, it could usher in a new phase of struggle of the American people. As this fight develops, TRNN will be there.

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Our Comment. "History repeats itself first as farce and then as tragedy." *Karl Marx*

There Is a Better Option Than Trump's $1 Trillion Infrastructure Plan

By Ellen Brown, The Web of Debt Blog, November 17, 2016

Donald Trump was an outsider who boldly stormed the citadel of Washington DC and won. He has promised real change, but his infrastructure plan appears to be just more of the same – privatizing public assets and delivering unearned profits to investors at the expense of the people. He needs to try something new; and for this he could look to Abraham Lincoln, whose bold solution was very similar to one now being considered in Europe: just print the money.

In Donald Trump's victory speech after the presidential election, he vowed: "We are going to fix our inner cities and rebuild our highways, bridges, tunnels, airports, schools, hospitals. We're going to rebuild our infrastructure, which will become, by the way, second to none. And we will put millions of our people to work as we rebuild it."

It sounds great; but as usual, the devil is in the details. Both parties in Congress agree that infrastructure is desperately needed. The roadblock is in where to find the money. Raising taxes and going further into debt are both evidently off the table. The Trump solution is touted as avoiding those options, but according to his economic advisors, it does this by privatizing public goods, imposing high user fees on the citizenry for assets that should have been public utilities.

Raise taxes, add to the federal debt, privatize – there is nothing new here. The president-elect needs another alternative; and there is one, something he is evidently open to. In May 2016, when challenged over the risk of default from the mounting federal debt, he said, "You never have to default, because you print the money." The Federal Reserve has already created trillions of dollars for the 1% by just printing the money. The new president could create another trillion for the majority of the 99% who elected him.

Another Privatization Firesale?

The infrastructure plan of the Trump team was detailed in a report released by his economic advisors Wilbur Ross and Peter Navarro in October 2016. It calls for $1 trillion of spending over 10 years, funded largely by private sources. The authors say the report is straightforward, but this writer found it hard to follow, so here the focus will be on secondary sources. According to Jordan Weismann on Slate: "Under Trump's plan…the federal government would offer tax credits to private investors interested in funding large infrastructure projects, who would put down some of their own money up front, then borrow the rest on the private bond markets. They would eventually earn their profits on the back end from usage fees, such as highway and bridge tolls (if they built a highway or bridge) or higher water rates (if they fixed up some water mains). So instead of paying for their new roads at tax time, Americans would pay for them during their daily commute. And of course, all these private developers would earn a nice return at the end of the day.

"The federal government already offers credit programs designed to help states and cities team up with private-sector investors to finance new infrastructure. Trump's plan is unusual because, as written, it seems to be targeted at fully private projects, which are less common."

David Dayen, writing in *The New Republican*, interprets the plan to mean the government's public assets will be "passed off in a privatization firesale." He writes: "It's the common justification for privatization, and it's been a disaster virtually everywhere it's been tried. First of all, this specifically ties infrastructure – designed for the common good – to a grab for profits. Private operators will only undertake projects if they promise a revenue stream….

"So the only way to entice private-sector actors into rebuilding Flint, Michigan's water system, for example, is to give them a cut of the profits in perpetuity. That's what Chicago did when it sold off 36,000 parking meters to a Wall Street-led investor group. Users now pay exorbitant fees to park in Chicago, and city government is helpless to alter the rates.

"You also end up with contractors skimping on costs to maximize profits."

Time for Some Outside-the-Box Thinking

That is the plan as set forth by Trump's economic policy advisors; but he has also talked about the very low interest rates at which the government could borrow to fund infrastructure today, so perhaps he is open to other options. Since financing is estimated to be 50% of the cost of infrastructure, funding infrastructure through a publicly-owned bank could cut costs nearly in half, as shown here.

Better yet, however, might be an option that is gaining traction in Europe: simply issue the money. Alternatively, borrow it from a central bank that issues it, which amounts to the same thing as long as the bank holds the bonds to maturity. Economists call this "helicopter money" – money issued by the central bank and dropped directly into the economy. As observed in *The Economist* in May 2016: "Advocates of helicopter money…argue for fiscal stimulus – in the form of government spending, tax cuts or direct payments to citizens – financed with newly printed money rather than through borrowing or taxation. Quantitative easing (QE) qualifies, so long as the central bank buying the government bonds promises to hold them to maturity, with interest payments and principal remitted back to the government like most central-bank profits."

Helicopter money is a new and rather pejorative term for an old and venerable solution. The American colonies asserted their independence from the Motherland by issuing their own money; and Abraham Lincoln, our first Republican president, boldly revived that system during the Civil War. To avoid locking the government into debt with exorbitant interest rates, he instructed the Treasury to print $450 million in US Notes or "greenbacks." In 2016 dollars, that sum would be equivalent to about $10 billion, yet runaway inflation did not result. Lincoln's greenbacks were the key to funding not only the North's victory in the war but an array of pivotal infrastructure projects, including a transcontinental railway system; and GDP reached heights never before seen, jumping from $1 billion in 1830 to about $10 billion in 1865.

Indeed, this "radical" solution is what the Founding Fathers evidently intended for their new government. The Constitution provides, "Congress shall have the power to coin money [and] regulate the value thereof." The Constitution was written at a time when coins were the only recognized legal tender; so the Constitutional Congress effectively gave Congress the power to create the national money supply, taking that role over from the colonies (now the states).

Outside the Civil War period, however, Congress failed to exercise its dominion over paper money, and private banks stepped in to fill the breach. First the banks printed their own banknotes, multiplied on the "fractional reserve" system. When those notes were heavily taxed, they resorted to creating money simply by writing it into deposit accounts.

As the Bank of England acknowledged in its spring 2014 quarterly report, banks create deposits whenever they make loans; and this is the source of 97% of the UK money supply today. Contrary to popular belief, money is not a commodity like gold that is in fixed supply and must be borrowed before it can be lent. Money is being created and destroyed all day every day by banks across the country. By reclaiming the power to issue money, the federal government would simply be returning to the publicly-issued money of our forebears, a system they fought the British to preserve.

Countering the Inflation Myth

The invariable objection to this solution is that it would cause runaway price inflation; but that monetarist theory is flawed, for several reasons.

First, there is the multiplier effect: one dollar invested in infrastructure increases gross domestic product by at least two dollars. The Confederation of British Industry has calculated that every £1 of such expenditure would increase GDP by £2.80. And that means an increase in tax revenue. According to the New York Fed, in 2012 total tax revenue as a percentage of GDP was 24.3%. Thus one new dollar of GDP results in about 24 cents in increased tax revenue; and $2 in GDP increases tax revenue by about fifty cents. One dollar out pulls fifty cents or more back in the form of taxes. The remainder can be recovered from the income stream from those infrastructure projects that generate user fees: trains, buses, airports, bridges, toll roads, hospitals, and the like.

Further, adding money to the economy does not drive up prices until demand exceeds supply; and we're a long way from that now. The US output gap – the difference between actual output and potential output – is estimated at close to $1 trillion today. That means the money supply could be increased by close to $1 trillion annually without driving up prices. Before that, increasing demand will trigger a corresponding increase in supply, so that both rise together and prices remain stable.

In any case, today we are in a deflationary spiral. The economy needs an injection of new money just to bring it to former levels. In July 2010, the New York Fed posted a staff report showing that the money supply had shrunk by about $3 trillion since 2008, due to the collapse of the shadow banking system. The goal of the Federal Reserve's quantitative easing was to return inflation to target levels by increasing private sector borrowing. But rather than taking out new loans, individuals and businesses are paying off old loans, shrinking the money supply. They are doing this although credit is very cheap, because they need to rectify their debt-ridden balance sheets just to stay afloat. They are also hoarding money, taking it out of the circulating money supply. Economist Richard Koo calls it a "balance sheet recession."

The Federal Reserve has already bought $3.6 trillion in assets simply by "printing the money" through QE. When that program was initiated, critics called it recklessly hyperinflationary; but it did not create even the modest 2% inflation the Fed was aiming for. Combined with ZIRP – zero interest rates for banks – it encouraged borrowing for speculation, driving up the stock market and real estate; but the Consumer Price Index, productivity and wages barely budged. As noted on CNBC in February: "Central banks have been pumping money into the global economy without a whole lot to show for it…. Growth remains anemic, and worries are escalating that the US and the rest of the world are on the brink of a recession, despite bargain-basement interest rates and trillions in liquidity."

Boldness Has Genius in It

In a January 2015 op-ed in the UK *Guardian*, Tony Pugh observed: "Quantitative easing, as practised by the Bank of England and the US Federal Reserve, merely flooded the financial sector with money to the benefit of bondholders. This did not create a so-called wealth affect, with a trickle-down to the real producing economy….

"If the EU were bold enough, it could fund infrastructure or renewables projects directly through the electronic creation of money, without having to borrow. Our government has that authority, but lacks the political will."

In 1933, President Franklin Roosevelt boldly solved the problem of a chronic shortage of gold by taking the dollar off the gold standard domestically. President-elect Trump, who is nothing if not bold, can solve the nation's funding problems by tapping the sovereign right of government to issue money for its infrastructure needs.

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

Our Comment

This is the clearest possible explanation of the two basic ways to fund infrastructure.

One conforms to the neoliberal principle of privatization – "[tying] infrastructure – designed for the common good – to a grab for profits" and compromising the choice and quality of infrastructure projects.

The other serves the common good, and frees society from eternal debt slavery.

In Canada, the latter is a clear and rational possibility, through the use of our *public* central bank.

Why, on earth, would we settle for a toll-road economy that will magnify initial infrastructure costs, and perpetuate debt?!

To add insult to injury, selling public assets to partly defray expenses, is considered justifiable.

Arguments against the use of government-created money – that, for example, it must inevitably causing inflation – have been thoroughly discredited again and again, in theory and in practice.

What it comes down to, is the question of whom the economy is to serve. If we believe that it should be designed and operated in the best interests of the common good, we'll "[tap] the sovereign right of government to issue money for its infrastructure" (physical *and* social).

Élan

How Corporate Dark Money is Taking Power on Both Sides of the Atlantic

By George Monbiot, theguardian.org, February 2, 2017

A secretive network of business lobbyists has long held sway in US politics. Now their allies in the UK government are planning a Brexit that plays into their hands

It took corporate America a while to warm to Donald Trump. Some of his positions, especially on trade, horrified business leaders. Many of them favoured Ted Cruz or Scott Walker. But once Trump had secured the nomination, the big money began to recognise an unprecedented opportunity.

Trump was prepared not only to promote the cause of corporations in government, but to turn government into a kind of corporation, staffed and run by executives and lobbyists. His incoherence was not a liability, but an opening: his agenda could be shaped. And the dark money network already developed by some American corporations was perfectly positioned to shape it. Dark money is the term used in the US for the funding of organisations involved in political advocacy that are not obliged to disclose where the money comes from. Few people would see a tobacco company as a credible source on public health, or a coal company as a neutral commentator on climate change. In order to advance their political interests, such companies must pay others to speak on their behalf.

Soon after the second world war, some of America's richest people began setting up a network of thinktanks to promote their interests. These purport to offer dispassionate opinions on public affairs. But they are more like corporate lobbyists, working on behalf of those who fund them.

We have no hope of understanding what is coming until we understand how the dark money network operates. The remarkable story of a British member of parliament provides a unique insight into this network, on both sides of the Atlantic. His name is Liam Fox. Six years ago, his political career seemed to be over when he resigned as defence secretary after being caught mixing his private and official interests. But today he is back on the front bench, and with a crucial portfolio: secretary of state for international trade.

In 1997, the year the Conservatives lost office to Tony Blair, Fox, who is on the hard right of the Conservative party, founded an organisation called The Atlantic Bridge. Its patron was Margaret Thatcher. On its advisory council sat future cabinet ministers Michael Gove, George Osborne, William Hague and Chris Grayling. Fox, a leading campaigner for Brexit, described the mission of Atlantic Bridge as "to bring people together who have common interests." It would defend these interests from "European integrationists who would like to pull Britain away from its relationship with the United States."

The diplomatic mission Liam Fox developed through Atlantic Bridge plugs him straight into the Trump administration

Atlantic Bridge was later registered as a charity. In fact it was part of the UK's own dark money network: only after it collapsed did we discover the full story of who had funded it. Its main sponsor was the immensely rich Michael Hintze, who worked at Goldman Sachs before setting up the hedge fund CQS. Hintze is one of the Conservative party's biggest donors. In 2012 he was revealed as a funder of the Global Warming Policy Foundation, which casts doubt on the science of climate change. As well as making cash grants and loans to Atlantic Bridge, he lent Fox his private jet to fly to and from Washington.

Another funder was the pharmaceutical company Pfizer. It paid for a researcher at Atlantic Bridge called Gabby Bertin. She went on to become David Cameron's press secretary, and now sits in the House of Lords: Cameron gave her a life peerage in his resignation honours list.

In 2007, a group called the American Legislative Exchange Council (Alec) set up a sister organisation, the Atlantic Bridge Project. Alec is perhaps the most controversial corporate-funded thinktank in the US. It specialises in bringing together corporate lobbyists with state and federal legislators to develop "model bills." The legislators and their families enjoy lavish hospitality from the group, then take the model bills home with them, to promote as if they were their own initiatives.

Alec has claimed that more than 1,000 of its bills are introduced by legislators every year, and one in five of them becomes law. It has been heavily funded by tobacco companies, the oil company Exxon, drug companies and Charles and David Koch – the billionaires who founded the first Tea Party organisations. Pfizer, which funded Bertin's post at Atlantic Bridge, sits on Alec's corporate board. Some of the most contentious legislation in recent years, such as state bills lowering the minimum wage, bills granting corporations immunity from prosecution and the "ag-gag" laws – forbidding people to investigate factory farming practices – were developed by Alec.

To run the US arm of Atlantic Bridge, Alec brought in its director of international relations, Catherine Bray. She is a British woman who had previously worked for the Conservative MEP Richard Ashworth and the Ukip MEP Roger Helmer. Bray has subsequently worked for Conservative MEP and Brexit campaigner Daniel Hannan. Her husband is Wells Griffith, the battleground states director for Trump's presidential campaign.

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.

Among the members of Atlantic Bridge's US advisory council were the ultra-conservative senators James Inhofe, Jon Kyl and Jim DeMint. Inhofe is reported to have received over $2m in campaign finance from coal and oil companies. Both Koch Industries and ExxonMobil have been major donors.

Kyl, now retired, is currently acting as the "sherpa" guiding Jeff Sessions's nomination as Trump's attorney general through the Senate. Jim DeMint resigned his seat in the Senate to become president of the Heritage Foundation – the thinktank founded with a grant from Joseph Coors of the Coors brewing empire, and built up with money from the banking and oil billionaire Richard Mellon Scaife. Like Alec, it has been richly funded by the Koch brothers. Heritage, under DeMint's presidency, drove the attempt to ensure that Congress blocked the federal budget, temporarily shutting down the government in 2013. Fox's former special adviser at the Ministry of Defence, an American called Luke Coffey, now works for the foundation.

The Heritage Foundation is now at the heart of Trump's administration. Its board members, fellows and staff comprise a large part of his transition team. Among them are Rebekah Mercer, who sits on Trump's executive committee; Steven Groves and Jim Carafano (State Department); Curtis Dubay (Treasury); and Ed Meese, Paul Winfree, Russ Vought and John Gray (management and budget). CNN reports that "no other Washington institution has that kind of footprint in the transition."

Trump's extraordinary plan to cut federal spending by $10.5tn was drafted by the Heritage Foundation, which called it a "blueprint for a new administration." Vought and Gray, who moved on to Trump's team from Heritage, are now turning this blueprint into his first budget.

This will, if passed, inflict devastating cuts on healthcare, social security, legal aid, financial regulation and environmental protections; eliminate programmes to prevent violence against women, defend civil rights and fund the arts; and will privatise the Corporation for Public Broadcasting. Trump, as you follow this story, begins to look less like a president and more like an intermediary, implementing an agenda that has been handed down to him.

In July last year, soon after he became trade secretary, Liam Fox flew to Washington. One of his first stops was a place he has visited often over the past 15 years: the office of the Heritage Foundation, where he spoke to, among others, Jim DeMint. A freedom of information request reveals that one of the topics raised at the meeting was the European ban on American chicken washed in chlorine: a ban that producers hope the UK will lift under a new trade agreement. Afterwards, Fox wrote to DeMint, looking forward to "working with you as the new UK government develops its trade policy priorities, including in high value areas that we discussed such as defence."

How did Fox get to be in this position, after the scandal that brought him down in 2011? The scandal itself provides a clue: it involved a crossing of the boundaries between public and private interests. The man who ran the UK branch of Atlantic Bridge was his friend Adam Werritty, who operated out of Michael Hintze's office building. Werritty's work became entangled with Fox's official business as defence secretary. Werritty, who carried a business card naming him as Fox's adviser but was never employed by the Ministry of Defence, joined the secretary of state on numerous ministerial visits overseas, and made frequent visits to Fox's office.

By the time details of this relationship began to leak, the charity commission had investigated Atlantic Bridge and determined that its work didn't look very charitable. It had to pay back the tax from which it had been exempted (Hintze picked up the bill). In response, the trustees shut the organisation down. As the story about Werritty's unauthorised involvement in government business began to grow, Fox made a number of misleading statements. He was left with no choice but to resign.

Many of his staffers are from an opaque corporate misinformation network. We must understand this if we are to have any hope of fighting back against them

When Theresa May brought Fox back into government, it was as strong a signal as we might receive about the intentions of her government. The trade treaties that Fox is charged with developing set the limits of sovereignty. US food and environmental standards tend to be lower than Britain's, and will become lower still if Trump gets his way. Any trade treaty we strike will create a common set of standards for products and services. Trump's administration will demand that ours are adjusted downwards, so that US corporations can penetrate our markets without having to modify their practices. All the cards, post-Brexit vote, are in US hands: if the UK doesn't cooperate, there will be no trade deal.

May needed someone who is unlikely to resist. She chose Fox, who has become an indispensable member of her team. The shadow diplomatic mission he developed through Atlantic Bridge plugs him straight into the Trump administration.

Long before Trump won, campaign funding in the US had systematically corrupted the political system. A new analysis by US political scientists finds an almost perfect linear relationship, across 32 years, between the money gathered by the two parties for congressional elections and their share of the vote. But there has also been a shift over these years: corporate donors have come to dominate this funding.

By tying our fortunes to those of the United States, the UK government binds us into this system. This is part of what Brexit was about: European laws protecting the public interest were portrayed by Conservative Eurosceptics as intolerable intrusions on corporate freedom. Taking back control from Europe means closer integration with the US. The transatlantic special relationship is a special relationship between political and corporate power. That power is cemented by the networks Liam Fox helped to develop.

In April 1938, President Franklin Roosevelt sent the US Congress the following warning: "The liberty of a democracy is not safe if the people tolerate the growth of private power to a point where it becomes stronger than their democratic state itself. That, in its essence, is fascism." It is a warning we would do well to remember.

Our Comment

One discouraging feature of political opportunists is their capacity to take advantage of developments – to the point of turning them inside out – to promote their own interests. One of the *incentives* said to be behind the Brexit *vote*, was, a widespread resentment of American influence!

Prime Minister May's bringing Fox back into government is an ugly invitation to cynicism.

Budgets, of course, have become the chief weapons of mass destruction in the financial war on society.

Let's hope there are still enough competent and honest politicians in the UK government to keep the UK from jumping out of the frying pan into the fire.

Janet Mayer's book, *Dark Money* is an exhaustive exposé of dark money's who's who and their activities.

Élan

Betsy DeVos, Trump's Big-Donor Education Secretary

By Jane Mayer, The New Yorker, November 27, 2016

After choosing for his cabinet a series of political outsiders who are loyal to him personally, Donald Trump has broken with this pattern to name Betsy DeVos his Secretary of Education. DeVos, whose father-in-law is a co-founder of Amway, the multilevel marketing empire, comes from the very heart of the small circle of conservative billionaires who have long funded the Republican Party.

Trump's choice of DeVos delivers on his campaign promise to increase the role of charter schools, which she has long championed. But it also flies in the face of his fiery anti-establishment campaign rhetoric. Steve Bannon, who was named Trump's senior counsellor and chief strategist, has mocked what he called "the donor class," arguing that it and the politicians it bankrolls have little understanding of the needs of working-class and middle-class voters. Such populist rhetoric fuelled Trump's campaign, in which he presented himself as an outsider who would govern independently of the corrupt and out-of-touch private interests that he said had "rigged" American politics.

But it would be hard to find a better representative of the "donor class" than DeVos, whose family has been allied with Charles and David Koch for years. Betsy, her husband Richard, Jr. (Dick), and her father-in-law, Richard, Sr., whose fortune was estimated by Forbes to be worth $5.1 billion, have turned up repeatedly on lists of attendees at the Kochs' donor summits, and as contributors to the brothers' political ventures. In 2010, Charles Koch described Richard DeVos, Sr., as one of thirty-two "great partners" who had contributed a million dollars or more to the tens of millions of dollars that the Kochs planned to spend in that year's campaign cycle.

While the DeVoses are less well known than the Kochs, they have played a similar role in bankrolling the rightward march of the Republican Party. Starting in 1970, the DeVos family, which is based in Grand Rapids, Michigan, began directing at least two hundred million dollars into funding what was then called "The New Right." The family supported conservative think tanks such as the Heritage Foundation; academic organizations such as the Collegiate Studies Institute, which funded conservative publications on college campuses; and the secretive Council on National Policy, which the *Times* called "a little-known club of a few hundred of the most powerful conservatives in the country." The Council's membership list, which was kept secret, included leaders of the Christian right, such as Jerry Falwell, Pat Robertson, and Phyllis Schlafly, and anti-tax and pro-gun groups. Richard DeVos, Sr., liked to say that it brought together "the doers and the donors."

In 1980, the DeVos family contributed heavily to the election of Ronald Reagan, and DeVos, Sr., was named the finance chair of the Republican National Committee. Two years later, he was removed, after calling the brutal 1982 recession a "cleansing process," and insisting that anyone who was unemployed simply didn't want to work. That same year, DeVos and his Amway co-founder, Jay Van Andel, were charged with criminal tax fraud in Canada. Eventually, Amway pleaded guilty and paid fines of twenty-five million dollars, and the criminal charges against DeVos and his partner were dropped. Despite these incidents, the DeVos clan remained a major political force. "There's not a Republican president or presidential candidate in the last fifty years who hasn't known the DeVoses," Saul Anuzis, a former chairman of the Michigan Republican Party, told *Mother Jones*, in 2014.

The marriage of Dick DeVos to Betsy Prince only increased the family's wealth and power. Her father, Edgar Prince, had made a fortune in auto-parts manufacturing, selling his company for $1.35 billion in cash, in 1996. Her brother Erik founded Blackwater, the private military company that the government infamously contracted to work in Afghanistan and Iraq, where its mercenaries killed more than a dozen civilians in 2007.

DeVos is a religious conservative who has pushed for years to breach the wall between church and state on education, among other issues. (*The Washington Post* reports that Betsy DeVos has been an elder at Mars Hill, in Grand Rapids.) Betsy, who served as the chairwoman of the Michigan Republican Party in the late nineties and again in the early aughts, spent more than two million dollars of the family's money on a failed school-vouchers referendum in 2000, which would have allowed Michigan residents to use public funds to pay for tuition at religious schools. The family then spent thirty-five million dollars, in 2006, on Dick DeVos's unsuccessful campaign to unseat Jennifer Granholm, then the Democratic governor of the state. After that campaign, the DeVos family doubled down on political contributions and support for conservative Christian causes. Members of the family, including Betsy and Dick DeVos, have spent heavily in opposition to same-sex-marriage laws in several states. According to the Michigan LGBT publication PrideSource.com, DeVos and her husband led the successful campaign to pass an anti-gay-marriage ballot referendum in the state in 2004, contributing more than two hundred thousand dollars to the effort. Dick DeVos reportedly gave a hundred thousand dollars, in 2008, to an amendment that banned same-sex marriage in Florida. That year, Elsa Prince Broekhuizen, Betsy DeVos's mother, was a major contributor to the effort to pass Proposition 8, which made same-sex marriage illegal in California.

Trump may have run against big money in politics, but his choice for Education Secretary has made no apologies about her family's political spending. Betsy DeVos has been a major financial backer of legal efforts to overturn campaign-spending limits. In 1997, she brashly explained her opposition to campaign-finance-reform measures that were aimed at cleaning up so-called "soft money," a predecessor to today's unlimited "dark money" election spending. "My family is the biggest contributor of soft money to the Republican National Committee," she wrote in the Capitol Hill newspaper *Roll Call*. "I have decided to stop taking offense," she wrote, "at the suggestion that we are buying influence. Now I simply concede the point. They are right. We do expect something in return. We expect to foster a conservative governing philosophy consisting of limited government and respect for traditional American virtues. We expect a return on our investment."

"People like us," she added archly, "must surely be stopped."

In the 2016 campaign, DeVos continued to spend heavily, but not in favor of Trump, who, she declared, "does not represent the Republican Party." Evidently, she has changed her mind about that, and he has changed his about the merits of "the donor class."

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Our Comment. A Dark Age ahead, for public education in the US? *Élan*

Koch Dark-Money Operative Is Trump's Liaison to Congress

By Richard Eskow, BillMoyers.com, January 24, 2017

Secret ties between the Koch Brothers and members of Congress can mean good things for the super rich and the worst for everyone else.

When the history of Donald Trump's administration is written, people may point to the appointment of a Koch Brothers operative to a little-known White House position as a turning point in Trump's evolution from unorthodox Republican candidate to doctrinaire corporate politician.

Meet Trump Legislative Director Marc Short

Think of it as a merger, or an acquisition. His administration hires suggest that Trump, who ran a heterodox and intermittently populist (if consistently bigoted) campaign, has been joining forces with the more established corporate extremism of the Republican Party establishment.

Consider Marc Short's appointment as director of legislative affairs. According to the White House website, the Office of Legislative Affairs "serves as the president's primary liaison to the United States Congress, and is responsible for advancing the president's legislative agenda on Capitol Hill."

The director of legislative affairs has typically been an obscure figure, plucked from a staffer job on Capitol Hill. And while the position calls for "working with senators, representatives and their staffs to promote the president's priorities" (as the White House website puts it), Great Britain's Prince Phillip may have captured a key aspect of the job more pithily when he was introduced to one of Short's predecessors some years ago: "Ah," Prince Philip said, "the spear catcher."

But Short, who is reportedly Donald Trump's choice to fill the position, is more accustomed to doling out cash than he is to catching spears. It's true that Short has some Hill experience, as chief of staff to Sen. Kay Bailey Hutchinson (R-TX) and then-Rep. Mike Pence (R-IN).

Short isn't really a policy wonk. He's an operative in Republican and right-wing circles. After serving as finance director for Oliver North's failed senatorial campaign, Short reportedly helped Pence run the House Republican Conference, managed the Reagan Ranch and was a spokesperson for the Department of Homeland Security under Bush.

The Kochs' Dark Money Man Peddled a Plan to Take Down Trump

Short is best known for his tenure as president of the Koch Brothers' Freedom Partners Chamber of Commerce, the political fund organized by the Koch Brothers to advance their far-right, pro-corporate, anti-environmental agenda. While the group describes itself as a "business league," CMD noted that its fundraising cycles much more closely resemble those of a political party, complete with high-tech voter lists and opposition research.

The Washington Post described the organization as "carefully constructed with extensive legal barriers to shield its donors" and said it operated "de facto banks" that were "feeding money to groups downstream."

Freedom Partners reportedly has cut checks for as much as $63 million to support campaigns and causes beloved by the Kochs and their allies, including anti-environmental groups, the National Rifle Association and two different groups working to repeal Obamacare, the 60 Plus Association and the Center to Protect Patient Rights (CPPR), run by Koch money man Sean Noble (who renamed the group American Encore.)

CPPR/American Encore created some bad headlines for the Kochs. It was forced to pay huge fines as part of a settlement with California Attorney General – now Senator – Kamala Harris for activities that were described as "campaign money laundering," although Noble and the Kochs denied wrongdoing. Three other groups that received Freedom Partners funding were fined by the Federal Election Commission last year for violating campaign regulations.

This is classic dark money behavior, and Short was in the middle of it.

Short doesn't just give money away. As president of Freedom Partners he received a lot, too. The latest IRS filing for the organization shows that Short was paid $1,110,328 in 2015 by the nonprofit, and received another $48,444 in "other compensation from the organization and related organizations."

The last person to hold his White House job reportedly received $172,200 per year – an excellent standard by most measures, but a step down from Short's former salary.

Advancing the Koch Agenda from Inside the White House

Short's path to the White House was not without a surprise or two. He left Freedom Partners in 2016 to join Marco Rubio's campaign, a move that was interpreted by some as a sign that the Republican establishment wanted to stop Trump at all costs. If the right-wing *National Review* is to be believed, Short was so determined to stop Trump that he personally presented Charles Koch with a plan for blistering ads – "a detailed, eight-figure blueprint for derailing (Trump) on Super Tuesday," but was rebuffed.

He's come a long way since then.

So why the change of heart?

Perhaps because the candidate Short once wanted to stop is now poised to deliver on key elements of the Koch Brothers' agenda. Trump is appointing oil industry executives and lobbyists to a number of top positions and denies the reality of climate change. His xenophobic and bigoted rhetoric fuels the kind of fear that does great things for gun sales.

Like Freedom Partners, Trump is pushing deregulation. And Trump, together with his congressional allies, is poised to repeal Obamacare.

Recently, the Kochs' "grass roots" group, Americans for Prosperity, is telling potential donors (with typically hyperbolic capitalization) that the Kochs' three-part agenda consists of "1. REPEALING OBAMACARE; 2. FIXING OUR BROKEN TAX SYSTEM" – that is, tax cuts for corporations and the wealthy – and, "3. CUTTING FEDERAL SPENDING."

Freedom Partners gave more than $130 million to organizations that supported Obamacare's repeal in 2012 alone, according to its IRS filing. One hundred and fifteen million went to the CPPR and $15.7 billion went to the 60 Plus Association, which also lobbied heavily against it. CPPR funneled money to other groups as well, creating a fake storm of "grass roots" opposition.

Freedom Partners and Americans for Prosperity routinely used Obamacare as a hot-button issue, targeting key Democrats with "issues ads" in their re-election races – which, of course, means that they were aiding Republicans in those races. American Encore also spent millions the same way.

A Friendly Koch Takeover

Short is not the only Koch person to join the Trump administration. Vice President Mike Pence is a Koch ally, and has been helping stack the Cabinet with a coterie of Koch friends. Pence may become the most powerful vice president in US history – outstripping even Dick Cheney in influence.

And while Trump has differed with the Kochs on some key issues including trade, Social Security and Medicare, they have always agreed on deregulation, privatization, the climate, taxes and Obamacare. Trump's appointments suggest that he may be moving closer to the Kochs on other issues as well.

One thing seems clear already: the Kochs and their big-money allies seem poised to gain more influence than ever during a presidency they once tried to prevent.

This post first appeared at PRwatch.org.

Richard (RJ) Eskow is a writer, a former Wall Street executive and a radio journalist. He has experience in health insurance and economics, occupational health, risk management, finance and IT. Follow him on Twitter @rjeskow.

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Our Comment. Could it be that Donald Trump is realizing that he might need all the experienced help that he can get? *Élan*

NAFTA *from page 3*

exports; by providing competitively priced inputs for US production; and by lowering prices of goods for US consumers, who then can spend more on other US-produced goods and services. A recent study estimates that nearly five million jobs in the US currently depend on trade with Mexico.

Given all of this, it is good news that Trump has lately toned down threats to withdraw the US from NAFTA and to impose large unilateral tariffs on Mexican imports (his position on the border adjustment tax is unclear). Instead, in a draft proposal to Congress, his trade officials are calling for flexibility within NAFTA to reinstate tariffs as temporary "safeguard" mechanisms to protect US industries from import surges.

The Trump administration also wants to strengthen NAFTA's rules of origin. As an illustration, current rules dictate that only 62.5% of a car's content must originate within a NAFTA country to qualify for a zero tariff. That has made Mexico an attractive location for assembling Asian-produced content into final manufactured goods for sale in the US or Canada.

If the Trump administration succeeds in raising the share of content that must be produced within NAFTA to qualify for zero tariffs, both the US and Mexico could "reclaim" parts of the manufacturing supply chain that have been lost to foreign suppliers. Stricter rules of origin could also boost investment by these suppliers in production and employment in both Mexico and the US.

The Trump administration's draft outline for NAFTA renegotiation also sets objectives for stronger labor and environmental standards – important priorities for Congressional Democrats who share the president's opposition to the current agreement. Stronger standards could create benefits for all of NAFTA's partners; but with the Trump administration actively dismantling labor and environmental protections at home, a US-led effort to strengthen them within NAFTA in any meaningful way seems farfetched. Perhaps Canada will take the lead.

Uncertainty over the fate of NAFTA has already hit the Mexican economy. It has also weakened the position of the reformist and pro-market President Enrique Peña Nieto, just over a year before the general election in Mexico. This may aid the rise of right-wing populists riding the wave of anti-Trump nationalism.

A strong, stable Mexican economy, led by a government committed to working with the US, is clearly in America's interests. Trump would be well advised to work quickly to ensure that the NAFTA renegotiations he has demanded generate this outcome.

Laura Tyson, a former chair of the US President's Council of Economic Advisers, is a professor at the Haas School of Business at the University of California, Berkeley, a senior adviser at the Rock Creek Group, and a member of the World Economic Forum Global Agenda Council on Gender Parity.

Our Comment

It's all the way you look at it! Besides, one sometimes needs help to see what one's looking at. Sometimes glasses will help.

Hopefully, people like Laura Tyson, will help President Trump to see the advantages of a trade deal with Mexico.

Recognizing what's fair, and valuing justice over advantage is another matter.

Élan

Why Economists Can't Get It Right

By Valentin Schmid, Epoch Times, January 12, 2017

From wrong forecasts by the International Monetary Fund (IMF) and Wall Street, to wrong policies by the Federal Reserve and the Federal Government, wrong economic theory impacts everyone. Last year was a particularly bad one for the profession, as none of the mainstream forecasts on major events, from Brexit to Donald Trump's election, and the effects of those events on markets and the economy, were correct. In fact, mainstream economics has been consistently getting it wrong since the Great Financial Crisis of 2008.

So why hasn't the mainstream realized something is profoundly wrong with the models and theories it uses? Why do they marginalize alternative theories and theorists? Why are the people who have been getting it wrong still in charge?

If you worked for companies like General Motors or IBM and are now out of a job because they have outsourced it to Mexico, you can blame wrong economic theory for this.

The free-trade model advocated by elites from the IMF to Harvard has promised jobs for the developing world, while keeping the ones in the developed world. It hasn't worked because the theory behind free trade, developed by 19th-century economist David Ricardo, is 200 years old and obsolete.

"Ricardo's theory fails in a world of mobile factors [of capital and labor]. It only works if everyone plays by the rules. Free trade…does not produce optimal outcomes because it is never free. It is a house built on the quicksand of assumptions that don't reign in the real world and never will," wrote analyst James Rickards in his book *The Road to Ruin: The Global Elites' Secret Plan for the Next Financial Crisis*.

The elite economists at the IMF and the Fed have missed their growth forecasts for almost every major economy leading up to and following the financial crisis. Governments and companies making their plans based on the optimistic forecasts (these models never predict a crisis) are in for a rude awakening when they don't materialize.

"They have models that extrapolate what is going on, they have to agree with one another, and they are covering their backs within their profession. That's why they are always wrong," said Woody Brock, president of consulting firm Strategic Economic Decisions.

Wall Street risk managers still use the same risk models that led to the subprime crisis. When the house of cards collapsed, it wiped out the savings of millions and plunged the country into the worst recession since the Great Depression. Because these same models are in use, another crisis is just around the corner.

"They are treating the financial sector as an outcome of economic action, not as a cause. But we know that the financial sector is a cause if something goes wrong," said Steve Keen, a professor at London's Kingston University and author of *Debunking Economics*.

After the financial crisis, fiscal stimulus and unprecedented money printing by central banks in the United States, Europe, and Japan promised us a solid recovery that has not materialized.

"The elite view is if the right PhD economist is seated as Fed chair, with the dual mandate firmly in mind, and money supply as a lever to move the world, the global economy may be pushed to equilibrium and made to run like a fine Swiss watch," wrote Rickards.

Wrong Models

Economists like to pack the world with all its idiosyncrasies into neat little mathematical models that are supposed to predict the future, an undertaking historically reserved for prophets and magicians, at least in the humanities. Actual science like physics gets a pass.

However, the models, no matter how sophisticated, follow the old rule of computer science first discovered in the 1950s: "garbage in, garbage out."

The most important model in the toolkit of mainstream neoclassical economists is the Dynamic Stochastic General Equilibrium (DSGE) model. It states that supply matches demand, and the economy functions like clockwork until some not-to-be foreseen exogenous shock comes around that disrupts the model.

These models have been disproven in theory and in practice, and rely on assumptions that don't apply in the real world. For example, the model expects the agents (us) to make decisions based on math and economic models and not based on whether we are bored at our jobs and feel like a bit of online shopping.

And yet, they are still being used by the world's central banks as well as institutions like the IMF and world governments to craft monetary and fiscal policy.

"The herd [of monetary elites] agrees that markets are efficient, albeit with imperfections. They agree that supply and demand produce local equilibria, and the sum of these equilibria is a general equilibrium. When equilibrium is perturbed, it can be restored through policy," wrote Rickards, who also notes that equilibrium is "a facade that masks unstable complex dynamics."

The models' shortcomings are so obvious, however, that the chief economist of the World Bank, Paul Romer, has broken ranks with the economic elite and last year published a scathing critique of macroeconomists in general and the equilibrium models in particular called "The Trouble with Macroeconomics."

His verdict: "Macro models now use incredible identifying assumptions to reach bewildering conclusions…. Macroeconomists got comfortable with the idea that fluctuations in macroeconomic aggregates are caused by imaginary shocks, instead of actions that people take…. Once macroeconomists concluded that it was reasonable to invoke imaginary forcing variables, they added more."

It is the DSGE model that led former Fed chairman Ben Bernanke to declare the following about the equilibrium interest rate on his blog for the Brookings Institution in 2015:

"If the Fed wants to see full employment of capital and labor resources (which, of course, it does), then its task amounts to using its influence over market interest rates to push those rates toward levels consistent with the equilibrium rate, or – more realistically – its best estimate of the equilibrium rate, which is not directly observable."

So the rate the Fed wants to achieve, one that will supposedly bring about the best use of capital and labor (remember the assumption behind equilibrium here), is not directly observable, so the Fed is left guessing.

Small wonder it can never predict a crisis and instead often causes one by leaving rates too low for too long and then later raising them at the most inopportune moment. And no wonder the economy still hasn't taken off, despite zero interest rates for close to a decade, which brings us to another problem.

Crises Don't Fit

"They ignore money and credit, probably the most important determinants of where the economy goes," said Keen.

For instance, Bernanke told Congress in March 2007 that "the impact on the broader economy and financial markets of the problems in the subprime market seems likely to be contained." It wasn't.

"They only extrapolate the current trends and that only matters if there is no change in the things they are ignoring. So if there is a change in money, credit, and debt, then they are going to be completely wrong, and that's what happened in 2008," said Keen.

"What matters in the model is not money but the imaginary forces," wrote Romer.

Mainstream economists usually use the excuse that nobody saw a particular event coming, like the crisis in 2008, which is only true if the somebodies are mainstream economists and everybody else is a nobody.

Keen did predict the crisis of 2008 using post-Keynesian models, which include private debt, and so did hedge fund legend Ray Dalio of Bridgewater Associates, who also built models around private debt. There are scores of others who did the same and profited from it. None of them follow the mainstream.

Rickards predicted the 2008 crisis using complexity theory borrowed from physics, which has nothing to do with DSGE models and the so-called "normal" occurrence or distribution of risk.

"Crises emerge because regulators don't comprehend the statistical properties of the systems they regulate," Rickards wrote.

"There are models that do a good job identifying bubbles using complexity theory, causal inference, and behavioral economics, although the exact timing of collapse remains difficult to predict," he wrote.

It is mostly physicists who use complexity theory, but it can also be applied to capital markets. Unlike equilibrium models, complex systems allow for extreme events to occur rather frequently. They also have dynamic feedback loops so agents can learn from their past actions and from other agents.

Brock also believes economists at the Fed and elsewhere rely too much on historical data to make predictions for the future.

"They are trained that history is everything," Brock said. Enough data will identify economic relationships.

"That's fine until structural changes occur and the previous relationship breaks down," he said. Structural changes, like too much debt in the system, brought the economy to its knees in 2008 and now prevent us from realizing our maximum growth potential. "Structural changes mean historical samples won't be good. You must use your subjective judgment so you know what is different," he added.

In a nutshell, "capital markets were condemned to a succession of calamities while academics-turned-central bankers waited decades for more data to convince them of their failures," wrote Rickards.

With the exception of Romer, however, mainstream economists aren't convinced that there is something at all wrong with their way of doing things.

Living in the Ivory Tower

There are several reasons why economists cannot or do not want to see the evident flaws in their models and their way of thinking.

According to Brock, it's the fact that subjective analysis of structural changes would expose the economists to being wrong, a risk they cannot live with.

"Most people who go for those jobs are risk-averse in the extreme. Subjective probabilities can't be proven true. They do things where they can always back up positions with data. The fact that the data is irrelevant doesn't matter," he said.

Keen thinks this risk aversion combines with a desire to hold on to power. "If the mainstream economists admit that they are wrong and the post-Keynesians are right, they would have to abandon their posts, resign, and let us take over. That's the last thing anybody will do," he said.

But given their dismal performance, how can these people stick around for so long? Keen said the problem starts in academia and then seamlessly flows through to the centers of power.

"In economics, all the non-orthodox people can't get jobs in the main universities because we don't push the mainstream paradigm," he said, adding, "We don't get the exposure, and we are not even part of this debate."

It is this lack of creative debate that has robbed academics and policymakers of better tools to interpret and handle economic problems. Mainstream economists live in their bubble and have given up serving science. They would rather serve their leaders, according to Romer.

"Because guidance from authority can align the efforts of many researchers, conformity to the facts is no longer needed as a coordinating device. As a result, if facts disconfirm the officially sanctioned theoretical vision, they are subordinated," he wrote.

"Eventually, evidence stops being relevant. Progress in the field is judged by the purity of its mathematical theories, as determined by the authorities."

Romer also states that while some mainstream economists have been angered by his critique, others by and large agree but do not dare to speak out in public.

What Romer describes as a "general failure mode of science" is not new. When Nicolaus Copernicus told his fellow scientists in the 16th century that the earth revolved around the sun rather than the other way around, he was in for some trouble.

Both Keen and Romer think of science as a belief system. Humans find it difficult to give up widely held beliefs, even if they are proven wrong.

"Humanity shares belief systems. If you have a belief system, you live in a world that promotes that belief system, and you will be critical of opposing belief systems. The initial response of any discipline is to reinforce its current belief system," said Keen.

"It starts by distinguishing 'research' fields from 'belief' fields. In research fields such as math, science, and technology, the pursuit of truth is the coordinating device. In belief fields such as religion and political action, authorities coordinate the efforts of group members," wrote Romer.

He thinks macroeconomics has morphed into a belief field.

What Can Be Done?

Economics is called the dismal science, but it is not useless. There are economists and models that can explain complex human behavior, leading to better policy decisions. Mainstream scholars just have to admit their equilibrium-centric view of the economic system is wrong.

"In the 20th century, we developed the technology to send people to the moon. It involves non-equilibrium systems. If you assume an equilibrium in that process, you have dead astronauts," said Keen.

He said economists should borrow from these branches of science to model the economy as a non-equilibrium system, and of course include money and debt.

Brock said economists have to allow themselves to be wrong from time to time to grasp structural changes.

"You have to be trained in game theory and political theory to understand" these changes, he says. Neither provides a neat outcome with 100 percent certainty but rather different probabilities. This is somewhat ironic, as the mainstream now claims its models are always right and yet they are wrong at the crucial times.

Rickards thinks capital markets should be analyzed as a complex system with a non-normal distribution of risk.

However, all these changes would only be possible if economists started to adhere to scientific methods again.

"By rejecting any reliance on central authority, the members of a research field can coordinate their independent efforts only by maintaining an unwavering commitment to the pursuit of truth [via the consensus] that emerges from many independent assessments…assessments that are made by people who…accept their own fallibility, and relish the chance to subvert any claim of authority," wrote Romer.

Safe Bets

In the here and now, there are some policies most non-mainstream economists consider safe bets. One of them is the reinstatement of the 1933 Depression-era *Glass-Steagall Act*. The Act separated consumer banking from the securities business and served the country well until its repeal in 1999 by President Bill Clinton.

"Glass-Steagall worked for exactly the reason complexity theory suggests. By breaking the banking system into two parts, Glass-Steagall made each part stronger by shrinking systemic scale, diminishing dense connections, and truncating channels through which failure of one institution jeopardizes [everything]," wrote Rickards.

In fact, the repeal was a classic case of trying to make reality fit economic models rather than the other way around. "Economists were for the repeal because it fits their model on how the economy should operate," said Keen.

Another safely established danger signal is private debt. Keen says that once private debt passes 150 percent of GDP, a financial crisis is almost inevitable. "There are danger zones you don't want to enter," he said.

Keen and Rickards both argue for strengthening the role of labor in the economy, including enacting some protectionist trade measures and giving workers more influence at their companies.

Brock said infrastructure spending, lower taxes, and deregulation are the right fiscal policy levers. "It's the incentives that are most important to determine growth," he said.

Neither of the cited economists and analysts believes, however, that humans could ever achieve perfection with modeling or predictions. It's rather more important to let go of a false sense of pride and learn from past mistakes.

"Science and the spirit of the enlightenment are the most important human accomplishments," wrote Romer. "They matter more than the feelings of any of us."

Our Comment

"Most people think what they were taught." – John McMurtry, *The Cancer Stage of Capitalism*

Especially if their job and/or their position of privilege depends upon it!

When "the force is with you," the tendency to hang onto what *is*, must be almost irresistible, particularly when you can get away with it as Wall Street risk managers did in 2008.

Irving Fisher, "one of America's greatest mathematical economists and one of the clearest economics writers of all time… whose Theory of Interest [added] clarity and rigor to one of the most complex concepts in economics" (Irving Fisher, *The Debt-Deflation Theory of Great Depressions*, published 2010 by Michael Schemmann), lost about $10 million in the stock market crash of 1929.

It's hard to believe that money, credit and debt could be so dismissed as factors, as to blind mainstream economists to potential crises! It's even more difficult to believe that economists were not held accountable for such a colossal failure and, in fact, were bailed out and allowed to go on "living in their bubble."

When "evidence stops being relevant" in spite of such collateral damage, how can we save ourselves from more of the same?! How do we make evidence *relevant?*

The eminent economist, John Kenneth Galbraith, in *Economics and the Public Purpose,* acknowledged that there must be economic change, and observed that the first step towards such progress would be what he turned, "the emancipation of belief."

Surely, the hardest part of learning is unlearning.

Élan

All That Glistens — Losing Luster?

Trudeau's Corporate Welfare Hurts Middle Class

By Tom Parking, Toronto Sun, April 2, 2017

Just 10% of Canadians believe Prime Minister Justin Trudeau's recent budget will help the middle class, according to a recent poll by Forum Research.

Meanwhile 41% say it'll hurt the middle class, 31% say its effects will be neutral, and 19% don't know.

It's a sign Canadians are coming to see what I've been warning of for months now – the mounting pile of evidence that Trudeau's middle class rhetoric has been a cruel, cynical communications hoax.

From the start, there was a strong hint a hoax was afoot – Trudeau's dishonestly-named "middle class tax cut."

Middle class people earning $45,000 get absolutely no benefit from this tax cut – nothing.

Affluent people earning between $90,000 and even up to $200,000 get the maximum benefit.

The hoax was in full display in Trudeau's most recent budget.

The budget speech said the Liberals would close tax credits and loopholes "that disproportionately benefit the wealthy."

In fact the budget eliminated only one tax credit – for transit passes used by working people.

It kept the stock option tax loophole – which Trudeau had promised to end – which is disproportionately used by the wealthy.

And now it looks like Trudeau's infrastructure plan is an enormous corporate welfare scheme at the expense of the middle class.

Last election, Trudeau baited Canadians with a big infrastructure plan to be financed with historically low interest rates.

Now he's switching to a higher-cost private equity Infrastructure Bank.

The Infrastructure Bank will take private investments – from pension, equity and sovereign wealth funds – and spend it on infrastructure.

But not at the promised low rates.

Last March, Michael Sabia, CEO of a $270 billion investment fund, told a Toronto business audience he expects "stable, predictable returns in the seven to nine per cent rate" from infrastructure investments.

And last week, the Quebec provincial budget revealed a plan to pay private investors 8% on $2.7 billion in financing for a Montreal light rail project.

But it makes no financial sense to pay 8% to private investors when government bonds could finance the same amount at just 2%. It's just corporate welfare.

That six-point spread translates into big, big money.

The Liberals believe the Infrastructure Bank will hold about $150 billion within 10 years.

Financed through 2% bonds, the annual interest cost on $150 billion is $3 billion. But at 8%, the cost is $12 billion.

A difference of $9 billion in corporate welfare will be paid by your taxes, road tolls, service fees and bus fares.

It extracts money from the middle class and pipelines it to the affluent.

At $9 billion, Trudeau would be wasting more on a single corporate welfare program in one year than he plans to invest in child care or housing over a decade – programs that would actually help middle class Canadians.

And here's the kicker – it seems Trudeau wants to launch the Infrastructure Bank with a $20 billion deposit of public money, possibly raised by privatizing airports and sea ports.

The big business lobby group, C.D. Howe Institute, is pushing airport privatization, arguing the Infrastructure Bank won't attract investors without that $20 billion sweetener.

But airport privatization might be the weak link.

Another recent Forum poll showed only 13% of Canadians support airport privatization.

If Canadians rebel and Trudeau gets cold feet, let's hope this entire corporate welfare scheme will come crashing down before it gets started.

Our Comment

"Freedom is participation in power." – Cicero

Just how free *are* we?!

No wonder Prime Minister Justin Trudeau has reneged on his campaign promise to support electoral reform!

We need a system that – for one thing – will enable us to unseat politicians who say one thing prior to election, then do another once in place!

We certainly need a system that will fairly represent the electorate – providing something better to choose from than simply different strings of the same corporate team!

What is treason anymore? And it won't end there! Funny how the "trickle-down" keeps gushing up! If this isn't enough to generate a mass movement for real change, then we deserve all we'll get!

Élan

Selling Off Canada's Airports Could Result in Sky-high Prices

By David Macdonald, The Toronto Star, March 17, 2017

As it stands, Canadians get a better deal through publicly owned airports than if they would be controlled by private companies.

If the leaks are true, the upcoming federal budget will include an ill-advised move to sell off Canada's airports, which would result in both travellers and governments paying a heavy price.

The potential sale of Canada's airports is part of a larger trend of "asset recycling," the politically popular term describing government sales of public assets to investors who then control prices and quality, often with little to no competition.

There is little rationale for taking airports out of public control. Financially, Canada can afford to maintain ownership: both the federal debt ratio and interest rates are near all-time lows.

As it stands, Canadians get a better deal through publicly owned airports than if they would be controlled by private companies.

Canada's airports are not funded by the taxpayer. Funding comes from airport improvement fees directly on tickets, landing and other charges to the airlines (which are charged back to travellers), parking lot fees, and concession/retail rents. Travellers can't avoid the first two, but they may be able to avoid the second two.

In fact, airports pay the federal government $305 million a year for land rental (as estimated by a recent C.D. Howe study) in addition to paying city property taxes.

The first thing to recognize about this plan is that the federal government can't just sell off airports wholesale. In fact, airports aren't actually controlled by the federal government – they are controlled by airport authorities with representatives from a variety of sources.

The Greater Toronto Airports Authority, which operates Pearson, has representatives from the federal government, the province, the City of Toronto and regions of York, Halton, Peel and Durham, in addition to reps from several boards of trade.

All of the above would have to agree to this sale, which seems pretty unlikely. Even if they did agree, they might want a piece of the action. The federal government does own the land under the airport, which it could sell to a private investor. But this seems like an even worse idea.

What is lost in all this is that airports, like Pearson, are natural monopolies. Whoever operates them has no real competition because it's just too expensive to build several international airports in Toronto. It only makes sense to build one. As such, there is no market here, only market failure resulting in a monopoly, which is precisely when you want a non-profit in charge.

For-profit companies, on the other hand, love a good monopoly. When consumers have few convenient choices, prices can be far higher in order to "extract value" from the monopoly. If you don't like it, buckle up the kids for the three-day drive to Winnipeg.

Australian airport privatization perfectly illustrates what monopolies are good at. In the past decade, every one of the four main privatized airports in Australia has managed to substantially increase average travel prices while customer satisfaction has declined slightly.

And it doesn't stop there. Across almost every time frame and in every Australian airport, they've managed to increase parking fees faster than inflation. This is exactly what you'd expect from a monopoly: higher prices and lower quality.

Incidentally, this is the opposite of what you'd expect from a well-functioning market that offers lower prices and higher quality. Investors have "unlocked the value" in Australian airports, by unlocking travellers' wallets through jacked up fees. Travellers pay more for less – something Canada would be wise to avoid.

The worst of it is that there is no need to sell airports to raise money for much needed infrastructure in Canada. Proponents estimate the potential sale of all of Canada's airports would go for a price tag ranging from $7.2 to $16.6 billion, which is nothing to sneeze at.

You could reach the upper end of the range if there are fewer impediments to higher fees (legal or otherwise) but you would also lose $195 million in annual payments to the federal government, net of new income taxes – although that loss would be bigger if accountants manage hide new monopoly profits from taxation.

Is there another way to raise the best case scenario of $16.6 billion without gouging every family flying home for a wedding and every student heading home for the holidays? Yes, but it doesn't include privatization.

In fact, selling bonds instead of selling airports is the far better option. The federal government could easily raise $16.6 billion through bond sales tomorrow. The interest rate on a five-year federal government bond is 1.16 per cent or $193 million a year on our $16.6 billion.

So for the same cost the choice is ours: selling our airports to private investors who'll use their monopoly control to jack up fees or keep those airports in non-profit hands.

David Macdonald is a senior economist with the Canadian Centre for Policy Alternatives.

Our Comment

It will be a lot harder to get these public assets back than it was to acquire them in them in the first place.

Why should *any* passing government have the right to sell off public assets?

Why have governments from Brian Mulroney to and including Prime Minister Justin Trudeau chosen *this* "option"? could the fact that privatization is a key neoliberal tenet have anything to do with it?

The need is great to expose political euphemisms like "asset recycling," for what they are – cover-ups!

Public ownership of what should be recognized as commons – the water we drink, the air we breathe – is always a better deal than private ownership, in terms of cost and control.

Public monopolies should not be confused with private monopolies. The respective consequences differ enormously. "Business is business" – which seems generally to mean minimizing input and maximizing profit – *period!*

The choice is ours to make. But an informed choice may be shrouded in "junk economics." If you don't understand what your options are, you don't have any!

You may not be "into politics," but you can't escape the effects of the prevailing political economy.

You may not be "into swimming," but knowing how could someday save your life.

Élan

Risk Adjusted Work

By Peter Radford, Real-World Economics Review Blog, February 2, 2017

One of the greatest shifts in our economy over the past few decades has been the steady rise of what we call contingent workers. These are people who make their livings on a part-time or contractual basis and have no full-time job. In the US the increase in contingent workers accounted for all the increase in jobs between 2005 and 2015. Whilst there was an increase in full-time jobs during that period that increase was more than offset by a simultaneous elimination of other full-time jobs. There are many different measures of this part-time or contingent workforce because the government has not collected reliable data for over a decade, but all those private and academic efforts at measurement concur: contingent workers are now a very large and rapidly growing part of the national workforce.

Before we all lament this trend let us remind ourselves of some history. Prior to industrialization most people worked as a contingent worker. They supplemented their incomes from a variety of work, they were partly self-sufficient, they were largely based in agricultural activities, and they survived generally minimally above the barest subsistence levels. Those were the days of Malthusian economics: short burst of higher wages led to population growth, which stressed the food supply and thus brought on starvation which then reduced the population and restored the possibility of higher wages. Most economies existed in this kind of slow meandering and scarcely improving condition for centuries. Life was, to borrow Hobbes's infamous phrase "nasty, brutish, and short."

We then broke free from this. Why?

Because of changes in the cultural attitude towards commerce. Making a buck became acceptable. A commercial class fought off the tyranny of religion and aristocratic authority and launched us all on the path towards our current cornucopia.

The adjustment was painful and very quick. Only in a few generations whole ways of life were ripped apart and reconstructed around the new industrial world order. Resistance was fierce. Idealist of various political hues romanticized the agricultural way of life as an idyllic ideal that had been trampled upon by the greed of faceless capitalists whose only goals was self-enrichment. The value system of centuries was tossed aside in the pursuit of profit. Viewed from the perspective of 1848 the idea that industrialization and capitalism was socially beneficial, rather than simply a festival of greed, was easily criticized. Those dark and satanic mills compared poorly with the fresh air and green pastures of the older way of life.

Yet it was socially beneficial. We all live immeasurably better off than even the richest of our forbears. We live longer. We are healthier. And we generally avoid the crushing toil of eking out a subsistence living. The Malthusian era was consigned to history.

Within all this change one stands out: workers went from surviving day-to-day by cobbling together work from various sources and from being flexible in their skills, to being employed full-time and much more specialized. Critics called this new way of life "wage slavery" a less scornful description is, perhaps, a reliable income. Either way the workforce adapted to the new reality and by the so-called golden era of the post-war period in the 1950s and 1960s the shift to reliable incomes had, along with the establishment of the New Deal safety nets, allowed what we now call the middle class to emerge.

And this is the point I want to stress: it was this combination of reliable income and safety net that allowed the middle class to exist.

Think of this from a different perspective: think of it as a problem of risk management.

Prior to industrialization the risk inherent in everyday life was both large and borne mainly, if not exclusively, by the individual. They were responsible for dealing with all the risks they faced. There was no insurance and insufficient reward to avoid the consequences of poor harvests, poor health, and so on. Neither was there a concept of retirement: you worked as long as you lived, which was usually not too long.

All this risk was gradually replaced by the new institutions of the industrial era. Insurance became a reality. Various forms of benefits supplied by employers became a routine aspect of the employment contract. And even though employment itself could still be precarious, political efforts had carved out a whole panoply of state provided safety net programs to cushion the worst risks that could befall a worker.

This may not rise to your own definition of a beneficent society but it was a whole lot less risky than anything that had gone before. Full-time employment was a triumphant aspect of the industrial era. For a few precious generations it provided for a different way of life that was longer, healthier, and less prone to the slings and arrows of misfortune.

And all that is changing.

Beginning with the politically driven effort to push more responsibility onto the shoulders of individuals, whether this effort was well-meaning or whether it was driven by corporate greed, the newt effect has been to drive up the riskiness of life that workers now have to bear. We are going back to a more primitive work style and it is the workforce that is bearing the brunt of the risk. During the industrial era businesses offered benefits as an add-on to wages. It began as a competitive bid to build loyalty in the workforce, it was reinforced by union pressure to make such benefits a normal part of employment, and it became the socially acceptable norm. Workers expected to be given benefits.

But the provision of benefits is expensive: corporate workforces are small pools for insurance, the cost of health benefits rose much faster than the general price level, and the addition of more and more features eventually raised the per-worker expense onto a plane the easily became a target of profit driven managers.

So, beginning in the 1980s, and with accelerating force in the 1990s, businesses began to cut into their benefit programs and, eventually, to offload more and more of the cost onto the shoulders of individual workers. In-house training was jettisoned first. Other forms of benefits started to go, and the biggest to fall was the guaranteed retirement, or "defined benefit" program that was a bedrock of middle class financial security. Defined benefit plans were replaced with what are called "defined contribution" plans where it is left to the employee to determine both the level of savings and the investment strategy applied to those savings. Since most workers are hardly qualified as investment experts it is hardly surprising for us to find a few decades after the shift that most middle class families have insufficient savings for retirement.

But my point is a larger one: the entire effort by business to reduce employee costs by shedding benefits was only one part of a broader campaign to boost profit at the expense of wage earners. It manifested itself also in a second great wave which was the switch in employment itself away from full-time to more and more contingent work.

Contingent workers do not receive benefits of any kind. They are not eligible for unemployment benefits. They have to bear the full cost of any time off. They have to manage their own savings. They are unpaid when they are sick. And they need to source all their own insurance. While this may appeal to those of a libertarian point of view, it represents a massive and historic shift of risk from the financial statements of business and onto the far smaller and less diversified financial statements of families.

The results are manifold. The most discussed being the enormous divide that opened up between rising productivity and stagnant wages. Business have benefitted from the productivity whilst they have hammered down on the wage and benefits they pay. The two ought move in lock step. Since about that late 1970s they have gone separate ways. So even while society has asked families to shoulder more and more risk – in the name of individual responsibility – the resources needed to manage that risk have not been shared. They have remained in corporate income statements and, ultimately, in the pockets of the management class and shareholders.

It can be little wonder then that this uncompensated shift in risk has had the effect of dampening risk appetite in the general population: new business formation has slowed appreciably; people are more risk averse in their career choices; innovation has declined; and attitudes towards consumption are in the process of changing too. We have produced a less optimistic and enthusiastic workforce. And this production was deliberate.

Not only this, but our institutions are radically out of date. With the industrial era closing behind us and with contingent work now the most rapidly growing segment of work on offer none of our state policymaking institutions have kept pace with the new risk dynamic. We do not, for instance, enforce the portability of benefits. Nor do we provide insurance to smooth the variability of incomes that nowadays are less reliable month to month than they were in an era of full-time employment.

But, enough, the workplace has changed. The nature of work has changed. The prospect before a young employee is that he or she will be constantly bouncing from "gig" to "gig." This unreliability brings with it non-financial benefits: freedom to establish the pace and amount of work, the avoidance of the crushing bureaucracy of corporate life, the easier match of specialized skills to the work performed and so on. Surveys of contingent workers who choose to follow that lifestyle show them to be happier than full-time workers. But that risk gap yawns wide.

We need to close it.

Our Comment

Some, like Karl Polanyi (*The Great Transformation*), would take issue with the idea that "full-time employment was a triumphant aspect of the industrial era." In the forward to *The Great Transformation*, R.M. MacIvor points out that, "with a new liberation went a new servitude" – that, "the reduction of man to labour and of nature to land under the impulsion of the market economy turns modern history into a high drama in which society, chained protagonist, at last burst its bonds."

In the concluding chapter, "Freedom in a Complex Society," Polanyi asserts that "if industrialism is not to extinguish the race, it must be subordinated to the requirements of man's nature." On a positive note, he declares that "an industrial society can afford to be free" – that, "the passing of market economy can become the beginning of an era of unprecedented freedom."

His perception that society had, at last, seen the end of the market economy has, alas, proved somewhat premature.

Before the enclosure movement which herded people into industrial centres, at least people could sustain themselves in the sharing of the commons in a largely agrarian society.

To suggest that "businesses *[offered]* benefits as an add-on to wages" neglects the reality that both wages and benefits were hard won at considerable cost and sacrifice to struggling workers.

The suggestion that the demolition of those hard-earned benefits might have been "well meaning" is not a little surprising! The point that it was really "to boost profits at the expense of wage earners" and part of a broader campaign that has morphed into "[switching] employment itself away from full-time to more and more contingent

Continued on page 19

25 Years of Neocon-Neoliberalism: Great for the Top 5%, a Disaster for Everyone Else

By Tyler Durden, charleshughsmith.blogspot.com, January 20, 2017

It cannot be merely coincidental that the incomes and wealth of the top 5% have pulled away from the stagnating 95% in the 25 years dominated by neocon-neoliberalism.

One unexamined narrative I keep hearing is: "OK, so neocon-neoliberalism was less than ideal, but Trump could be much worse." Let's start by asking: would Syrian civilians agree with this assessment? The basic idea in the "OK, so neocon-neoliberalism was less than ideal, but Trump could be much worse" narrative is that the modest problems created by neocon-neoliberalism will pale next to what Trump will do, implying jackbooted Waffen SS troops will soon be marching through America on Trump's orders.

This narrative is yet another example of American parochialism: since neocon-neoliberalism didn't cause American cities to be bombed and its institutions demolished, it's really not that bad.

Try telling that to the Iraqis, Libyans and Syrians who have been on the receiving end of neocon-neoliberalism policies. The reality is very unpleasant: *for those targeted by America's neocon-neoliberalism, nothing worse is imaginable, because the worst has already happened.*

The cold reality is America's 25 years of neocon-neoliberalism has been great for the top 5% and an unmitigated disaster for everyone else in the US and the nations it has targeted for intervention.

Those defending the Democratic Party's 16 years of neocon-neoliberalism (Clinton and Obama) and the Republican Party's 8 years of neocon-neoliberalism (Bush) are defending a system that benefited the few at the expense of the many.

Rather than admit the past 25 years have been catastrophic for the bottom 95%, the apologists speak darkly of fantastical visions of a Nazi America as a diversion to the grim truth that *they have blindly supported an evil Empire that has stripmined the bottom 95% in America and laid waste to entire nations abroad.*

Neoconservatism's malignant spores hatched in the Reagan years, and spread quickly after the collapse of the Soviet Union. Stripped to its essence, *Neoconservatism is American Exceptionalism turned into a global entitlement*: it's our right to intervene anywhere in the world we choose to defend what we perceive as our interests, and it's our right to impose our version of democracy and a market economy on other peoples.

Self-interest melds seamlessly with moral superiority in neocon-neoliberalism. The moral justification is: since ours is the best possible system, we're doing you a favor by tearing down your institutions and imposing our system on you. The self-interest is: garsh, the "market" we imposed extracts your resources and benefits our banks and corporations. Amazing, isn't it, how "free markets" benefit everyone?

But not equally. The claim of neoliberalism is: everything is transformed for the better when it is turned into a market. Once buyers and sellers can meet in a transparent marketplace, everybody prospers and everything becomes more efficient.

Stripped to its essence, neoliberalism is: the markets we set up are rigged to favor those at the top. All that talk about free markets is just public-relations cover to mask an intrinsically rigged quasi-market that has features of "real" markets while beneath the surface, it's rigged to the advantage of big players at the top of the wealth-power pyramid.

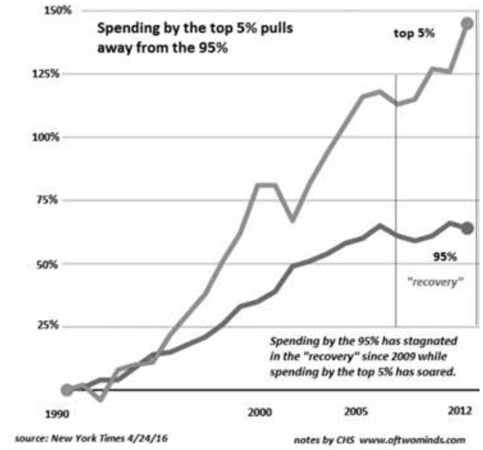
Neoconservatism and neoliberalism are both inherently global, and so globalization is the necessary outcome. There is no market that cannot be skimmed for outsized profits once it has been globalized, and so once bat guano becomes a global tradeable commodity, Goldman Sachs establishes a bat guano trading desk. (This is a spoof, but you get the point.)

Neoconservatism entitles the US to have an "interest" (as in profitable interest) in every nook and cranny of the planet. Policy changes in Lower Slobovia? It's in our "interest" to monitor those changes and intervene if the policies are "not in our interests."

Neocon-neoliberalism is brilliantly evil because it masks its true objectives behind such warm and fuzzy PR. Those looking for enemies of the people will find them not on the streets of America in cartoonish display but in the corridors of financial and policy power.

Dear apologists of the status quo: do you understand you're defending this?

Yes, profound changes in technology, automation, and geopolitics have influenced finance and wealth, but it cannot be merely coincidental that the incomes and wealth of the top 5% have pulled away from the stagnating 95% in the 25 years dominated by neocon-neoliberalism (see figure).



Our Comment

The Pollyanna suggestion that, after all, one has only one foot caught in a bear trap is scarcely comforting. Who wants even *one* foot caught in a bear trap? (Who, for that matter, wants a bear caught in a bear trap!)

At least, "jackbooted Waffen SS Troops" are readily identified as what they are. The "enemies of the people…in the corridors of financial and policy power" are hard to spot from the global debt trap.

Élan

Capitalism Simply Isn't Working and Here Are the Reasons Why

By Will Hutton, The Guardian, April 12, 2014

Economist Thomas Piketty's message is bleak: the gap between rich and poor threatens to destroy us.

Suddenly, there is a new economist making waves – and he is not on the right. At the conference of the Institute of New Economic Thinking in Toronto last week, Thomas Piketty's book *Capital in the Twenty-First Century* got at least one mention at every session I attended. You have to go back to the 1970s and Milton Friedman for a single economist to have had such an impact.

Like Friedman, Piketty is a man for the times. For 1970s anxieties about inflation substitute today's concerns about the emergence of the plutocratic rich and their impact on economy and society. Piketty is in no doubt, as he indicates in an interview in today's *Observer* New Review, that the current level of rising wealth inequality, set to grow still further, now imperils the very future of capitalism. He has proved it.

It is a startling thesis and one extraordinarily unwelcome to those who think capitalism and inequality need each other. Capitalism requires inequality of wealth, runs this right-of-centre argument, to stimulate risk-taking and effort; governments trying to stem it with taxes on wealth, capital, inheritance and property kill the goose that lays the golden egg. Thus Messrs Cameron and Osborne faithfully champion lower inheritance taxes, refuse to reshape the council tax and boast about the business-friendly low capital gains and corporation tax regime.

Piketty deploys 200 years of data to prove them wrong. Capital, he argues, is blind. Once its returns – investing in anything from buy-to-let property to a new car factory – exceed the real growth of wages and output, as historically they always have done (excepting a few periods such as 1910 to 1950), then inevitably the stock of capital will rise disproportionately faster within the overall pattern of output. Wealth inequality rises exponentially.

The process is made worse by inheritance and, in the US and UK, by the rise of extravagantly paid "super managers." High executive pay has nothing to do with real merit, writes Piketty – it is much lower, for example, in mainland Europe and Japan. Rather, it has become an Anglo-Saxon social norm permitted by the ideology of "meritocratic extremism," in essence, self-serving greed to keep up with the other rich. This is an important element in Piketty's thinking: rising inequality of wealth is not immutable. Societies can indulge it or they can challenge it.

Inequality of wealth in Europe and US is broadly twice the inequality of income – the top 10% have between 60% and 70% of all wealth but merely 25% to 35% of all income. But this concentration of wealth is already at pre-First World War levels, and heading back to those of the late 19th century, when the luck of who might expect to inherit what was the dominant element in economic and social life. There is an iterative interaction between wealth and income: ultimately, great wealth adds unearned rentier income to earned income, further ratcheting up the inequality process.

The extravagances and incredible social tensions of Edwardian England, belle époque France and robber baron America seemed for ever left behind, but Piketty shows how the period between 1910 and 1950, when that inequality was reduced, was aberrant.

It took war and depression to arrest the inequality dynamic, along with the need to introduce high taxes on high incomes, especially unearned incomes, to sustain social peace. Now the ineluctable process of blind capital multiplying faster in fewer hands is under way again and on a global scale. The consequences, writes Piketty, are "potentially terrifying."

For a start, almost no new entrepreneurs, except one or two spectacular Silicon Valley start-ups, can ever make sufficient new money to challenge the incredibly powerful concentrations of existing wealth. In this sense, the "past devours the future." It is telling that the Duke of Westminster and the Earl of Cadogan are two of the richest men in Britain. This is entirely by virtue of the fields in Mayfair and Chelsea their families owned centuries ago and the unwillingness to clamp down on the loopholes that allow the family estates to grow.

Anyone with the capacity to own in an era when the returns exceed those of wages and output will quickly become disproportionately and progressively richer. The incentive is to be a rentier rather than a risk-taker: witness the explosion of buy-to-let. Our companies and our rich don't need to back frontier innovation or even invest to produce: they just need to harvest their returns and tax breaks, tax shelters and compound interest will do the rest.

Capitalist dynamism is undermined, but other forces join to wreck the system. Piketty notes that the rich are effective at protecting their wealth from taxation and that progressively the proportion of the total tax burden shouldered by those on middle incomes has risen. In Britain, it may be true that the top 1% pays a third of all income tax, but income tax constitutes only 25% of all tax revenue: 45% comes from VAT, excise duties and national insurance paid by the mass of the population.

As a result, the burden of paying for public goods such as education, health and housing is increasingly shouldered by average taxpayers, who don't have the wherewithal to sustain them. Wealth inequality thus becomes a recipe for slowing, innovation-averse, rentier economies, tougher working conditions and degraded public services. Meanwhile, the rich get ever richer and more detached from the societies of which they are part: not by merit or hard work, but simply because they are lucky enough to be in command of capital receiving higher returns than wages over time. Our collective sense of justice is outraged.

The lesson of the past is that societies try to protect themselves: they close their borders or have revolutions – or end up going to war. Piketty fears a repeat. His critics argue that with higher living standards resentment of the ultra-rich may no longer be as great – and his data is under intense scrutiny for mistakes. So far it has all held up.

Nor does it seem likely that human beings' inherent sense of justice has been suspended. Of course the reaction plays out differently in different eras: I suspect some of the energy behind Scottish nationalism is the desire to build a country where toxic wealth inequalities are less indulged than in England.

The solutions – a top income tax rate of up to 80%, effective inheritance tax, proper property taxes and, because the issue is global, a global wealth tax – are currently inconceivable.

But as Piketty says, the task of economists is to make them more conceivable. *Capital* certainly does that.

Our Comment

The excuse that "inequality is needed to stimulate risk-taking" has lost its cover to the revelations of Piketty's rigorous scrutiny of "200 years of data."

The difference between the neoliberal perspective based on ideology, and Piketty's perspective, based on an analysis of historical fact, is a stunning insight into, not only the impending peril posed by the ongoing exponential growth of inequality, but also the all-pervasive danger of a mindset rutted in "self-serving greed." His conclusion, that "rising inequality of wealth is not immutable" – that "societies can challenge it – and his proffered solutions, are an encouraging incentive.

We are lucky to have, at this critical moment, highly competent, highly principled economists to whom we can turn in order to *ourselves* understand, appreciate, and contribute to making those solutions conceivable.

The following pertinent comments have been excerpted from *The Price of Inequality*, Joseph E. Stiglitz.

1. Macroeconomic policies – including monetary policies – have to too large an extent been circumscribed by ideology, and it's the market fundamentalist ideology that serves the interests of the top, often at the expense of the rest of society.

2. This book…is about inequality and about how flawed economic policies – based on flawed economic theories and ideology – have managed to exacerbate inequality on both sides of the Atlantic.

3. Policies are available that would simultaneously increase growth and equality… the question is more one of politics than of economics.

In conclusion, Stiglitz describes two visions "for America a half century from now."

4. One is of a society more divided between the haves and the have-nots…. The other vision is of a society where the gap between the haves and the have-nots has been narrowed, where there is a sense of shared destiny, a common commitment to opportunity and fairness…which emphasizes the importance not just of civil rights but of economic rights, and not just the rights of property but the economic rights of citizens.

Élan

Work *from page 16*

work is closer to the truth. The deliberate lowering of expectations within the work force, and the rosy pictures of "non-financial benefits" like "freedom to establish the pace and amount of work" are hardly satisfactory.

Given, especially, the possible next phase, subject of *The End of Work*, by Jeremy Rifkin, chances of closing "the risk gap" without significant change – such as a guaranteed annual income – are zero.

Élan

Basic Income Isn't Just a Nice Idea. It's a Birthright.

By Jason Hickel, The Guardian, March 4, 2017

A basic income could defeat the scarcity mindset, instil a sense of solidarity and even ease the anxieties that gave us Brexit and Trump.

Every student learns about Magna Carta, the ancient scroll that enshrined the rights of barons against the arbitrary authority of England's monarchs. But most have never heard of its arguably more important twin, the Charter of the Forest, issued two years later in 1217. This short but powerful document guaranteed the rights of commoners to common lands, which they could use for farming, grazing, water and wood. It gave official recognition to a right that humans nearly everywhere had long just presupposed: that no one should be debarred from the resources necessary for livelihood.

But this right – the right of habitation – came under brutal attack beginning in the 15th century, when wealthy nobles began fencing off common lands for their own profit. Over the next few centuries, the enclosure movement, as it came to be known, shifted tens of millions of acres into private hands, displacing much of the country's population. Excluded from the basic means of survival, most were left with no choice but to sell themselves for wages for the first time.

And it wasn't only England. The same process unfolded across Asia and Africa and most of the global south as European colonisers staked private claim to lands and forests and waterways that were previously held in common, leaving millions dispossessed. In much of the colonial world the goal, or at least the effect, was to drive people into the capitalist labour market, where, in exchange for low wages and poor conditions, they and their descendants would power the mines, plantations and sweatshops for export to the west.

As the era of colonialism came to an end, the governments of many newly independent nations sought to reverse these patterns of historical dispossession with land reform programmes. But they were quickly forced to abandon this approach by big foreign landowners and international creditors. Instead, the new plan for eradicating poverty – the dream of development – came to hinge on drawing people ever deeper into the labour market. Jobs came to be hailed as the salvation of the poor: as the World Bank puts it, "jobs are the surest pathway out of poverty."

But now this promise is beginning to look hollow. With the rise of robots, robust employment is no longer a realistic hope. We know that automation is a real threat to jobs in the global north, but the threat is much worse in the south. The main industries there, such as small electronics and textile manufacturing, are some of the easiest to automate. According to a United Nations report, up to two-thirds of jobs in developing countries could disappear in the near future.

This is all bitterly painful, particularly for the postcolonial world. First they were dispossessed of their land and promised jobs instead. Now they will be dispossessed of their jobs, and many will be left with literally no way to survive. Their dispossession will be absolute. Technological unemployment will almost certainly reverse the modest gains against poverty that have been made over the past few decades, and hunger will likely rise.

Governments are scrambling to respond, and they don't have many options. But one stands out as by far the most promising: a universal basic income.

Once a fringe idea, basic income is now speeding its way into the public imagination. Finland is running a two-year experiment in basic income. Utrecht in the Netherlands is conducting a trial, too. Y Combinator is trying it out in Oakland in the US. Scotland looks likely to follow suit. And cash transfer programmes have already proven to be successful in Namibia, India and dozens of other developing countries, sparking what some scholars have billed as "a development revolution from the global south." In Brazil, to cite just one example, cash transfers helped to cut poverty rates in half in less than a decade.

But the success of basic income – in both the north and the south – all depends on how we frame it. Will it be cast as a form of charity by the rich? Or will it be cast as a right for all?

Thomas Paine was among the first to argue that a basic income should be introduced as a kind of compensation for dispossession. In his brilliant 1797 pamphlet *Agrarian Justice*, he pointed out that "the earth, in its natural, uncultivated state was, and ever would have continued to be, the common property of the human race." It was unfair that a few should enclose it for their own benefit, leaving the vast majority without their rightful inheritance. As far as Paine was concerned, this violated the most basic principles of justice.

Knowing that land reform would be politically impossible (for it would "derange any present possessors"), Paine proposed that those with property should pay a "ground rent" – a small tax on the yields of their land – into a fund that would then be distributed to everyone as unconditional basic income. For Paine, this would be a right: "justice, not charity." It was a powerful idea, and it gained traction in the 19th century when American philosopher Henry George proposed a "land value tax" that would fund an annual dividend for every citizen.

The beauty of this approach is that it functions as a kind of de-enclosure. It's like bringing back the ancient Charter of the Forest and the right of access to the commons. It restores the right to livelihood – the right of habitation.

Critics of basic income often get hung up on how to fund it. But once we come to see it as linked to the commons, that problem becomes more tractable. In the US state of Alaska natural resources are considered a commons, owned collectively by the people, so every resident receives an annual dividend from the state's oil revenues.

The Alaska model is popular and effective, and scholars have pointed out that the same approach could be applied to other natural resources, such as forests and fisheries. It could even be applied to the air, with a carbon tax whose yields would be distributed as a dividend to all. And the upshot is that this approach helps protect commons against overuse, giving our planet some room to regenerate.

Implementing this idea will require political will – but it is far from impossible. In fact, some research indicates that it might be politically easier to implement than other social policies. Even in the US, leading policymakers – including former treasury secretary Henry Paulson and two former Republican secretaries of state – have just put forward a carbon tax and dividend proposal. The idea of a basic income also has broad and growing support from high-profile figures including Elon Musk and Bernie Sanders.

There are risks, of course. Some worry that a basic income will only increase the nativism that is spreading across the world right now. Who will qualify for the transfers? People won't want to share with immigrants.

It's a valid concern. But one way to address it is to think in more universal terms. The earth's natural bounty belongs to all, as Paine pointed out. If the commons know no borders, why should a commons-linked income? Indeed, why should people in resource-rich nations get more than their neighbours in resource-poor ones? A tax on resources and carbon around the world could go into a global fund, in trust for every human. Dividends could be set at $5 per day – the minimum necessary for basic nutrition – corrected for each nation's purchasing power. Or we could set it at each nation's poverty line, or some ratio thereof. Scholars are already thinking about how such a system could be designed.

We already know, from existing experiments, that a basic income can yield impressive results – reducing extreme poverty and inequality, stimulating local economies, and freeing people from having to accept slave-like working conditions simply in order to stay alive. If implemented more broadly, it might help eliminate "bullshit jobs" and slash unnecessary production, granting much-needed relief to the planet. We would still work, of course, but our work would be more likely to be useful and meaningful, while any miserable but necessary jobs, like cleaning the streets, would pay more to attract willing workers, making menial work more dignified.

But perhaps most importantly of all, a basic income might defeat the scarcity mindset that has seeped so deep into our culture, freeing us from the imperatives of competition and allowing us to be more open and generous people. If extended universally, across borders, it might help instil a sense of solidarity – that we're all in this together, and all have an equal right to the planet. It might ease the anxieties that gave us Brexit and Trump, and take the wind out of the fascist tendencies rising elsewhere in nativism that is spreading across much of the world.

We'll never know until we try. And try we must, or brace ourselves for a 21st century of almost certain misery.

Our Comment

Money should be recognized as a commons. Everybody has a right to adequate purchasing power. Wages have never been a fair replacement for the rights of commoners to common lands – never a just compensation for the loss of official recognition that "no one should be debarred from the resources necessary for livelihood."

Now technological unemployment will eliminate even wages!

The concept of charity has always been an injustice, and a conscience soother for the more fortunate. Charity never has been an acceptable or an adequate compensation for justice.

The truth about money renders inescapable the realization that poverty is not an economic problem; it's a crime.

Élan