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COMER

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The COMER Lawsuit: What Now?

News Release: Supreme Court Denies Request for Bank of Canada Lawsuit to Proceed

Toronto, May 31, 2017 – After nearly 5½ years of contentious litigation between the Committee On Monetary and Economic Reform (COMER) and the Government of Canada involving three separate Federal Court and two additional Federal Court of Appeal hearings resulting in contrary decisions, on May 4, 2017, the Supreme Court of Canada dismissed COMER's "leave" (permission to appeal) application from the second judgment of the Federal Court of Appeal. Following established practice, the federal Supreme Court does *not* issue reasons when it dismisses a leave application.

The dismissal by the Supreme Court of the Leave application, means only that the Court does not want to hear the appeal. The jurisprudence on this is clear: it does not mean that the lower court decisions are correct in law. The possible reasons for the Supreme Court not wanting to hear the case are many and various, including the washing of their hands or "deference" to the political process – hence, this is why reasons are not issued by the Supreme Court in leave dismissals.

We believe that the case has ample legal merit, and should have proceeded to trial. It is not uncommon for the Supreme Court to refuse leave on a given issue multiple times, finally to grant leave, hear the appeal and the case then succeed. The Supreme Court controls its own agenda, both in its timing and on the merits of issues it will or will not hear. (Annually, fewer than 8–10% of all cases filed are granted permission and heard at the Supreme Court of Canada.)

It should be noted that throughout this arduous and expensive legal process, the substance of this lawsuit initiated in the public interest has not been addressed. (The matters raised by the lawsuit are summarized in the following original copy of the news release issued on December 19, 2011.)

While COMER is disappointed in the Supreme Court's failure to comply with its perceived duty to the plaintiffs and to the citizens of Canada under the Constitution and the *Bank of Canada Act*, two things are undeniable:

1. Through this long judicial odyssey, public knowledge, awareness and consciousness of the vital issues have been raised immeasurably, not only in Canada, but abroad. We know this from the significant feedback and informed commentary COMER and its legal counsel have received.

2. The current Supreme Court dismissal is not the end of the struggle over these critical issues!

The proposed Canada Infrastructure Bank makes crystal clear the urgent need to now concentrate efforts within the political arena. In its arguments, the Crown has contended that the Government's decision to drastically reduce its borrowing from the Bank of Canada was made by the people of Canada through the political process although the changes made were never debated publically nor in Parliament. This failure of the political process has led to the exponential growth of Canada's debt incurred by all three levels of government due to accumulated deficits and compounded interest charges as well as to significant fiscal restraints on funding government programmes and infrastructure expenditures.

Our Comment

I once had two kittens – brothers. Their names were Picar and Esquie.

I bought them a toy, a "cat-dancer." It consisted of a highly pliable wire, at one end of which was what looked like a moth; at the other end was a handle. When one

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COMER

FOUNDING EDITOR
John Hotson 1930–1996

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

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

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Lawsuit *from page 1*

jerked the handle, the "moth" flew – and so did the cats!

Now, were Esquie still here, he would still be chasing that "moth"!

Picar, however, after a few frustrating attempts, sat still and observed intently; first, the "moth"; then the wire; then the handle. Finally, he made the connection between the movement of my hand and the antics of the "moth." With impressive feline aplomb, he than rose and simply walked away.

From time to time, I am reminded of Picar's "AHA." The culmination of the COMER lawsuit, it turns out, is one such time. The lawsuit inspired hope and involvement at home and abroad, expressed through supportive donations and – often deeply moving – messages of thanks and encouragement. Canadians are deeply indebted to those who rallied to the cause.

William Krehm's initiative will have far-reaching effects. He has never wavered in backing this extraordinary and financially daunting project and, thankfully, has seen it through to its end. At almost 104, he continues to follow COMER's progress with keen interest and continued support.

The Supreme Court decision is *not* the end of the struggle!

Importantly the lawsuit has tested one of the institutions in which we have placed much trust. The outcome has raised significant questions which, otherwise, might never have come to our attention.

I am one such example. Recently, a friend gave me a book that she thought I would find interesting. It was not one that, until now, I'd ever have thought to open. Its title certainly caught my attention: *The Failure of Corporate Law: Fundamental Flaws and Progressive Possibilities.*

The author, Kent Greenfield, is professor of law at Boston College Law School, and has served as a law clerk under Supreme Court Justice David H. Suter.

One of the claims made for this book is that it "shows that changing certain foundational assumptions about corporations and the law that rules them is critical to reining in corporate power. Throughout, Greenfield proposes concrete achievable adjustments to law and policy that would create real, positive change."

Intrigued, I read. What I read was downright exciting and flooded my head with a spate of questions!

Subsequently, I discovered a book on the same theme by a Canadian Professor of Law, Harold Glasbeek, who is a professor emeritus and senior scholar at Osgoode Hall Law School, York University. His recently published book is entitled: *Class Privilege: How Law Shelters Shareholders and Coddles Capitalism.*

Glasbeek points out that, "the mechanisms we have are not working." He traces the inadequacy to the fact that "all of the law's instruments and implementing institutions are based on the mistaken premise that we owe shareholders a debt of gratitude" that "justifies a reward or, as it turns out, many rewards. Most pertinently, limited fiscal liability and legal immunity."

He asks, "why is it that, if we sincerely desire corporations to behave better, we do not try to change the shareholders' understanding of what are and are not appropriate interests to pursue?" His answer is that "the legal conventional wisdom does not countenance this possibility because of the way in which it conceptualizes the corporation. But really, this wisdom is intended to preserve the privileges of capitalists, of shareholders. It is an argument of political convenience that must be rejected if real political change is to be put on the agenda.

And because the argument to be confronted is cloaked in legal garb, it is that legal garb that must be ripped off." He then tries to do just that.

Disappointed? Of course! Discouraged? Quite the contrary! This historic challenge has raised enormously the level of awareness on the issue, across Canada and around the world and has led to new insights that may well provoke a decisive step from debt to democracy.

Unlike Picar, *we* cannot simply walk away!

Élan

A Few Examples of Donors' Comments

1. I can think of no greater cause to support. This is about the survival of our country.
2. Keep up the great work; this is the financial "revolution" we need!
3. Please keep up this very worthy struggle.
4. If you can imagine our government's not having to pay interest to use our own money for the good of the nation then donate to this cause.

Press Release Toronto, Ontario, December 19, 2011

Two Canadians and a Canadian economic think tank confront the global financial pow-

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A Fresh Start?

Jagmeet Singh and Niki Ashton: A Choice of Flash Versus Vision for the NDP

By Murray Dobbin, Posted: May 26, 2017

As the mainstream pundits are putting it, the NDP leadership race just got more interesting with the declaration that Jagmeet Singh, an Ontario NDP MPP, is in the race. He has real charisma and would break the white-only leadership barrier for the first time.

There seems at first glance to be little in the way of major policy differences between the four candidates who preceded Singh in the race. While all are smart, able politicians with a solid understanding of the issues, there seems to be scant recognition of the need for the NDP to distance itself from the Layton-Mulcair period wherein the party decided to go for power and made the inevitable rush to the centre to do so.

The Liberals won that race and now have an almost unshakable grip on the centre. The overarching purpose of the NDP is perhaps the most important issue of all and it's not being debated. Will the new leader follow in the footsteps of Mulcair and his political whiz kids and go for the ring or will they decide to reinvent the party as a principled, unabashedly left-wing party eager to actually challenge corporate power?

The two candidates who stand in greatest contrast on this all-important issue are Manitoba MP Niki Ashton and newcomer Jagmeet Singh. Singh is eagerly poised to fill the role as the man who can take down Justin Trudeau (literally it turns out, claiming his mixed martial arts would be too much for Justin) and become prime minister. He oozes self-confidence but gets close to being a bit too attracted to himself. He doesn't quite refer to himself in the third person, but he gets close, as in this *Toronto Star* interview: "If people see that I'm dynamic and exciting and approachable, that's a good thing."

But while charisma is an important aspect of leadership it has to be matched by policy depth and transparency. Singh is famous in Ontario for his expensive, perfectly tailored suits and his brightly coloured turbans. But he is a provincial politician with no experience in federal government issues. He has been given an easy ride by the *Toronto Star* (no friend of the NDP) and has even been featured in the *Washington Post.*

But his flash fell short when he was interviewed by CTV's Evan Solomon. After saying "Glad to be here, man," Singh looked very uncomfortable when Solomon pressed him three times on his position on the Kinder Morgan pipeline. He dodged it three times, falling back each time on a nearly identical rehearsed answer: "We are going to come out with a comprehensive plan…" He similarly dodged a question on whether he would support retaliatory action against the US for its softwood lumber tariff. When Solomon pressed him on what kind of leader he was going to be, he fell flat, suggesting that he was not ready for prime-time questioning.

Singh's discomfort with these questions (and one on immigration levels) reveals a politician who is a bit of a blank slate. In fact, there is a certain irony in his eagerness to take on Justin Trudeau – another politician who, when he went for the Liberal Party leadership, seemed to have few ideas of his own. The other candidates have been immersed in these issues and their positions seem rooted in personal conviction.

When you haven't developed a clear vision of the party you want to lead, you end up relying on others, which is exactly what Trudeau did – and it's largely why he has broken the specific promises he has. They were never his in the first place. It begs the question with Mr. Singh: who is he going to rely on for his vision of the party and the country?

One of the people he is relying on is none other than Brad Lavigne, Jack Layton's and Tom Mulcair's strategic genius – you remember, the guy who thought it was cool to work for Hill and Knowlton, the people who brought you the first Gulf war. While Lavigne is only a volunteer and there are other people advising Singh, there is little doubt that Lavigne will be hard-selling the "we can win" Kool-Aid again.

Niki Ashton is about as different from Jagmeet Singh as you can get – about the only thing they share is that they are both young. Where Singh has given no sign of how (or if) he would rebuild the post-Mulcair party, Ashton has been clear that she wants to transform the party into a movement. Whereas Singh attributes the loss of the 2015 election to the fact that Mulcair didn't "connect emotionally," Ashton's take is more substantive:

"In the 2015 election, we allowed the Liberals to out-left us. In the last little while we have lost our sense of being a movement…. We need to reconnect with activists and community leaders who share our same values…. We need to build the NDP as a movement for social, environmental, and economic justice."

While we have to wait for Singh's answers to fundamental questions, Ashton's answers seem instinctive but rooted in policy depth. She has served as NDP critic for Aboriginal Affairs, Status of Women and Post-Secondary Education and Youth. As the NDP's critic on Jobs, Employment and Workforce Development she led a countrywide, 11-city tour engaging young people on the issue of precarious work faced by millennials.

Perhaps the strongest symbol of Ashton's boldness is her stance regarding the conflict between Israel and the Palestinians. After posting support for Palestinian independence she was, of course, subjected to the knee-jerk bullying from B'nai Brith which "demanded" an apology – which it never got. Under both Mulcair (a proud Zionist) and Layton, the party was terrified of the issue. As I detailed in this column a few months ago, Canadians' views on the conflict are clearly in line with Ashton's.

Jagmeet Singh might well be the ideal candidate to continue the party's centrist quest for power. He has charisma, he's a social media star, young people love him, and breaking the white-only barrier is a very attractive proposition and would be a huge step forward in Canadian politics. If the party wants to try for a quick comeback in 2019 they could certainly do worse.

But if the party wants to rebuild, return to its social democratic roots and show the boldness that will be required to seriously challenge climate change, inequality, reconciliation with Indigenous peoples, and peace in the Middle East they will need to take the long view and build a movement. That's Niki Ashton's pledge though she would have to take on the party establishment to do it.

We'll just have to wait to see what NDP members decide they want their party to be.

Our Comment

The NDP has lost its way. It has become, less and less, a real alternative to Tweedle Dum and Tweedle Dee.

Until it remembers its roots and its founding principles it will remain an "also ran" – if it remains at all.

On the other hand, it has never had a

better opportunity to become a viable challenge to corporate power and an exciting option.

We are struggling through a defining moment. The party doesn't need to transform into a movement. It needs only to engage in a movement already afoot – to rally behind a clear and promising program for fundamental change the disparate forces already active.

Incentives abound!

Élan

Open Letter to 2017 NDP Leadership Candidates, to the Federal NDP Caucus, and to All Members and Friends of the NDP

The NDP leadership campaign this summer of 2017 is especially crucial. It sets the tone for the 2019 election at a time when the corporate agenda has built up alarming momentum – with the recent support of the Harper Conservatives and the present support of the Trudeau Liberals, both with majority governments. Canada is in the process of surrendering to corporate rule ever more of its precious democratic institutions, along with their public services.

Clearly the NDP understands this dangerous trend, as was apparent at a recent session of Parliament when NDP MPs eloquently opposed the Liberals' proposed infrastructure bank which would turn over to private banks and other financial institutions, foreign as well as domestic, control of public assets in order to use them for profit. This is one of numerous public-private partnerships (PPPs), although perhaps the most egregious, which past experience has shown to be more expensive, abusive of labour, and less reliable than traditional public institutions.

Other indications of this trend include cuts and creeping privatization of our treasured public medical system, pressure to privatize CBC, and the Canada Pension Plan, and even our profitable postal service, and public liquor stores. Banks profit from student debt. Labour unions are losing ground. Taxes have been cut for the wealthy and corporations while needs of indigenous people and the poor are overlooked. The 2013 and 2016 Federal Budgets even authorize major private banks, in case they fail from their own hazardous gambling with derivatives, to take over through "bail-ins" their clients' assets – our deposits!

Especially perilous for our democracy are so-called "free trade agreements" which come down the pipe one after another, warmly welcomed by Conservatives and Liberals alike. These are sold on the ground that they promote jobs for Canadians even though they have in the past destroyed and downgraded jobs. The trade agreements are obviously designed to promote corporate rule. They allow foreign corporations, encouraged to operate in Canada, to bypass our democratically established court system in order to sue, through tribunals set up by the trade agreements themselves, for loss of anticipated profits resulting from actions taken in the public interest by our democratically elected legislative bodies. We are already subject to such abuse of our democracy through NAFTA.

Fuelling the corporate agenda is our growing public debt burden. We are constantly told that reduction of this debt is imperative. And we are told that there are only two possibilities; either raise taxes or cut spending. Somehow the notion of raising taxes, even on the rich, remains unacceptable. So we are left with the alternative of cutting spending, bringing on the devastating austerity agenda, which leads to justification for the privatizations sought by corporations. Hence the new infrastructure bank, and such transactions as sale of 60% of highly profitable Ontario Hydro to pay down debt, leaving the Ontario government to fund unprofitable projects.

As the corporate agenda gains momentum, we are increasingly facing an emergency situation. It is becoming ever more difficult for us to reverse the drive for corporate rule supported so heartily by the other major political parties.

What is to be done? A good start for the NDP is to focus on the Liberals' infrastructure bank, as the NDP has already done. But an additional step must be taken. The NDP, through its leadership candidates, needs to point out forcefully and repeatedly that Canada already has a superior infrastructure bank: our publicly owned Bank of Canada. Without any new legislation, the Bank of Canada could be used immediately to provide abundant, essentially interest-free funding to all levels of government for much-needed infrastructure, while freeing tax revenues for social programs.

The Bank of Canada has a great history. Between 1938 and 1974 it was used effectively to get us out of the Great Depression, through World War II, and for thirty post-war years to fund new infrastructure and social programs. But, under intense pressure behind the scenes from private banking interests, our federal government abandoned this practice, and began borrowing from private banks and other private money-lenders, incurring growing interest payments for all levels of government – recently between $50 and $60 billion per year, and at the federal level alone over $1.1 trillion in cumulative interest payments since 1974. This practice has resulted in our huge government debts, thus justifying the austerity agenda, and leading to ever growing pressures to cut funding for public services, and to privatize public resources.

Families carrying excessive debt need to practice austerity. But government finances work differently. When a government cuts jobs, it saves much less than the full amount that it was paying those jobholders. It loses the taxes they paid, and the taxes of people supported by their spending. Austerity drives the economy down. Increasing taxes, however difficult, is necessary. But the third alternative of returning to use of the Bank of Canada, almost entirely excluded from public discussion, is the only method that is sufficiently powerful to overcome our public debt burden while maintaining and improving social programs and funding infrastructure without privatization. But the advantages for the NDP and the Canadian public of returning to such use of the Bank of Canada go well beyond the prospect of overcoming the austerity agenda, and having access to money for abundant funding of public needs. Recognition of these additional advantages requires understanding of how our money system works, and how damaging it is.

In our currently prevailing money system, nearly all the money in existence, about 97%, money we all depend upon for economic transactions, has been created as computer entries by the private banks in their normal process of making loans. Contrary to public opinion, the banks do not lend out the money of depositors. When they make loans, they create new money. They require that borrowers put up valuable collateral, and then they get to *create* money they "lend" and require to be repaid, with interest. If borrowers fail to pay back on time both principal and interest, the banks get to take over their collateral – a power that is derived from their privilege of creating money out of nothing. What an unjust system!

But this is not all. *Banks create money for the principal of their loans, but they do not* *create money for the interest they demand.* Borrowers must compete with each other to get enough money, which has been created only as principal, in order to pay the banks both principal and interest. Meanwhile people who owe nothing are also using this same limited money supply, making it even more difficult for borrowers. It is *impossible* in this debt-money system for all borrowers to find enough money to make the required payments. Some will do further borrowing at further interest. But this remedy is obviously unsustainable. Inevitably those who are more vulnerable economically default, bringing a cascade of defaults resulting in recession. Mainline economists describe this as the normal business cycle. But they fail to explain that our perverse money system makes such cycles inevitable. And they fail to point out that this system is the most basic driver of inequality – an issue that the NDP has been attempting to address without tracing inequality to its most basic roots in the money system.

Strangely this chronic scarcity of money connected with our debt-money supply is a more consistent contributor to inflation than an excess of money – which is usually identified as the culprit. Businesses push to raise prices to cover their interest burdens along with other expenses, and workers do their best to push wages up to keep pace. On average about 40% of the prices of all the goods in our society results from our debt-money's compounding interest expenses, (see www.converge.org.nz/evenz/money.pdf .), a further inflationary pressure. Moreover, the interest burden is a factor in pushing businesses to pursue unlimited and unsustainable economic growth in our finite global ecological system.

When borrowers pay off their loans the banks keep the interest as their own, but they destroy the principal. *The creators of money are also its destroyers!* This is an enormous additional source of power often used to public disadvantage. If all borrowers – governments, businesses, and individuals – strove to exercise the virtue of thrift by paying off their debts, long before succeeding they would have driven the economy into deep depression.

Through pervasive debt we are all in thrall to the banks – even those of us who carry no personal debt. We could gradually reverse this and all the other damaging impacts of our money system by returning to using our publicly owned Bank of Canada to provide interest-free loans and grants to all levels of government for public benefit. Further explanation is needed here.

The power to create money out of nothing is awesome. *Whoever gets to benefit from the first use of newly created money gets a free benefit!* The process is essentially the same as when counterfeiters print and successfully pass off cash. But they face the difficulties of devising convincing facsimiles of modern cash, and they run the risk of arrest and punishment. Commercial banks can, entirely legally, quickly create any desired quantity of money with simple computer entries. This is easier than picking money off trees! And they tell us there is no such thing as a free lunch!

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

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

At the heart of the power of wealthy elites and their drive for corporate rule is their control through the banks over money creation. Gaining control through our federal government over the power to create money out of nothing for public benefit is the key to our being able to reverse the corporate agenda.

Having money-creation under government control is no panacea. Spending for human and environmental abuse, as in war, remains possible. Any campaign for monetary reform is a struggle for *democratization of our money system*, and such a campaign can readily be integrated with the wider struggle for greater democracy. Along with monetary reform we need to develop a high degree of public awareness regarding how our money system works. We will need procedures to assure that accurate information on the functioning of the system is publicly available, and widespread commitment to assuring that the system is benevolently and responsibly used. Strong public understanding and support are necessary to resist the intense opposition that banks, supported by Liberals and Conservatives, can be fully expected to mount against monetary reform.

Chief among the arguments and ridicule that will be brought against any NDP call for return to such use of the Bank of Canada is the claim that this would inevitably be inflationary. In response, we need to emphasize how damaging our present bank-created debt-money system itself is. It has its own long record of promoting steady, ongoing inflation, as already explained here, and as all seniors are well aware from personal experience. Moreover, there is much evidence to indicate that when governments have controlled their own money-creation they have managed their economies with very little inflation, as Canada did between 1938 and 1974. The record shows that hyperinflations, including that of Germany in the 1920s, were not driven by government irresponsibility, but by wealthy speculators, including banks, manipulating national currencies to their own great advantage (see Ellen Brown, *The Web of Debt*). We need to emphasize our own creative history of using the Bank of Canada with minimal inflation.

Some people even on the left think that we should not use the Bank of Canada for public funding because politicians will use its largesse irresponsibly. But do we really want to continue with our current money system which operates beyond democratic control, and is managed by institutions designed increasingly to exploit us, and subject us to debt slavery – here in Canada and beyond? Do we really want a system designed to stimulate relentless inflation, inescapable episodes of recession, unsustainable exponential economic growth in our finite environment, and rapidly increasing inequality? Do we really want private banks to monopolize creation of money for their own benefit while depriving the public of this advantage? Do we really want our governments shackled to the devastating austerity agenda? Do we really want to leave the corporations free to pursue ever more abusive corporate rule? In so far as there are risks in using the Bank of Canada, they are subject to democratic control – as our current money system definitely is not. We can establish open, democratic institutions to manage responsibly a government-created money system.

The NDP already favours public postal banking for people lacking banking services and vulnerable to abuse from loan sharks. Postal banking could also be recommended for all of us as providing a safe haven for our personal bank deposits from the threat of failing bank bail-ins. But especially crucial now, the NDP could be vigorously advocating use of the money-creation powers of the Bank of Canada for funding public services provided by our governments. A great many Canadians, including heavily indebted university graduates, are unemployed or under-employed, but eager to work for our common welfare. With abundant funding through the Bank of Canada, exciting, fulfilling opportunities for our people to find work meeting urgent unmet needs could be made available without limit. Monetary reformers have long been pointing out that *anything people are capable of doing can be made financially possible.*

There is another major reason for the NDP to call forcefully for massive public funding through the Bank of Canada. Large numbers of voters do not trust the NDP to manage government spending responsibly. We promise all kinds of much-desired and much-needed public services, but do not explain convincingly how we can fund them. Higher taxes on the rich are certainly necessary, and in the last election the NDP rather hesitantly suggested them. But the NDP also promised to maintain balanced budgets – which are recognized to be inseparably connected with the austerity agenda. Meanwhile the Liberals boldly announced that they would *increase* deficits in order to provide essential infrastructure. After its disastrous 2015 loss, the NDP needs to convince the public that there is, through the Bank of Canada, an overlooked alternative funding option much more powerful even than improved tax policies.

Legislators are generally reluctant to take bold stands without the assurance of strong public support. Perhaps this explains why the NDP, despite decades of constant prodding from monetary reformers, has not taken up this cause. But awareness of the issue and support for it has been growing. The Canadian Labour Congress at its convention this spring passed a resolution calling for return to the use of the Bank of Canada, as had already the National Farmers Union, the Council of Canadians, and the Green Party. Publicity for the COMER lawsuit against the government for failure to carry out the mandate of the *Bank of Canada Act* has also helped, even though the Supreme Court recently declined to hear the case. The crucial task of achieving a return to our desperately needed use of the Bank of Canada is now left to political action. The NDP, through its leadership campaign, now has the opportunity to kick-start this process.

Voters have withdrawn much of their support from a timid, cautious NDP. We now have a chance to campaign boldly, forthrightly, and courageously for the monetary reform which could jettison the austerity agenda, and harness the power of money creation to build steady momentum for public benefit.

Canada has hundreds of activist organizations, working in many ways for social justice and environmental protection, which have not yet joined the call for monetary reform. Surely they will rejoice in seeing the NDP ardently campaigning for the monetary system which can provide the funding they need for their various causes.

When an all-out NDP campaign for monetary reform evokes the opposition we can fully expect, let us welcome this as an opportunity to state our case ever more incisively to a public eager for relief from ever greater inequality and impoverishment. This 2017 NDP leadership campaign and the following campaign for the 2019 election offers us a great historic opportunity to reverse the momentum of the corporate agenda, and to move toward rescuing our democracy from corporate rule. Let us take advantage of it!

(For information and confirmation, see Joyce Nelson, *Beyond Banksters*, and the websites of COMER and Canadian Bank Reformers.)

In solidarity, George Crowell (member of COMER since 1994, who taught Social Ethics in the Religious Studies Department, University of Windsor, 1968-96, now living in London, Ontario.

Lawsuit *from page 2*

ers in the Canadian federal court.

The Canadians plead for declarations that would restore the use of the bank of Canada for the benefit of Canadians and remove it from the control of international private entities whose interests and directives are placed above the interest of Canadians and the primacy of the constitution of Canada.

Canadian constitutional lawyer, Rocco Galati, on behalf of Canadians William Krehm, and Ann Emmett, and COMER (Committee for Monetary and Economic Reform) on December 12, 2011 filed an action in Federal Court, to restore the use of the Bank of Canada to its original purpose, by exercising its public statutory duty and responsibility. That purpose includes making interest free loans to municipal/provincial/federal governments for "human capital" expenditures (education, health, other social services) and/or infrastructure expenditures.

The action also constitutionally challenges the government's fallacious accounting methods in its tabling of the budget by not calculating nor revealing the true and total revenues of the nation before transferring back "tax credits" to corporations and other taxpayers.

The Plaintiffs state that since 1974 there has been a gradual but sure slide into the reality that the Bank of Canada and Canada's monetary and financial policy are dictated by private foreign banks and financial interests contrary to the *Bank of Canada Act*.

The Plaintiffs state that the Bank of International Settlements (BIS), the Financial Stability Forum (FSF) and the International Monetary Fund (IMF) were all created with the cognizant intent of keeping poorer nations in their place which has now expanded to all nations in that these financial institutions largely succeed in over-riding governments and constitutional orders in countries such as Canada over which they exert financial control.

The Plaintiffs state that the meetings of the BIS and Financial Stability Board (FSB) (successor of FSF), their minutes, their discussions and deliberations are secret and not available nor accountable to Parliament, the executive, nor the Canadian public notwithstanding that the Bank of Canada policies directly emanate from these meetings. These organizations are essentially private, foreign entities controlling Canada's banking system and socio-economic policies.

The Plaintiffs state that the defendants (officials) are unwittingly and /or wittingly, in varying degrees, knowledge and intent engaged in a conspiracy, along with the BIS, FSB, IMF to render impotent the *Bank of Canada Act* as well as Canadian sovereignty over financial, monetary, and socio-economic policy, and bypass the sovereign rule of Canada through its Parliament by means of banking and financial systems.

Further information about this case is available at www.comer.org.■

It IS Happening!

Ecuador's Economics Lessons for Canada (and the World)

By Joyce Nelson, June 2017

Ecuador's new president, Lenin Moreno, was officially inaugurated on May 24. After a hard-fought, two-stage election process, Moreno defeated his opponent, former investment banker Guillermo Lasso, on April 2 with 51.14 percent of the vote. Moreno has promised to continue and expand the policies and programs introduced under outgoing President Rafael Correa, for whom Moreno served as vice-president from 2007 to 2013. Having held the post for ten years, Correa was ineligible to run again.

Although Moreno's win is tremendous news for progressives across the planet, you'd never know it from mainstream media coverage in North America, which has been muted to say the least. That may be because the Citizens' Revolution undertaken by Correa and Moreno since 2007 has involved some major challenges to neoliberal economic orthodoxy.

Indeed, in many ways, Rafael Correa (himself an economist) has changed the paradigm for what is possible economically, and not just in Ecuador or Latin America. That's quite an accomplishment for a small country of about 12 million people. But apparently, the powers-that-be would rather ignore such a paradigm-shift than call attention to it.

Economists' Open Letter

In the first round of presidential voting (February 19), Moreno had faced eight other candidates and fell just short of a victory, meaning that the top two candidates – Moreno and Lasso – would have to contend in a second round of voting on April 2. Former investment banker Lasso had pledged to undo the economic changes made over the previous ten years.

Before that crucial second vote, 55 economists from 11 countries published an Open Letter on March 26, warning of the "danger" of a return to Milton Friedman's neoliberal economics in Ecuador.[1] Their Open Letter explained some of the "major economic and social advances" that had been achieved in Ecuador because of Correa's economic policies. "We are concerned that many of these important gains in poverty reduction, wage growth, reduced inequality, and great social inclusion could be eroded by a return to the policies of austerity and neoliberalism that prevailed in Ecuador from the 1980s to the early 2000s," they wrote.[2]

A self-declared "21st century socialist," Correa had been elected in 2006 after a severe economic crisis and 1999 banking failure that caused a previous Ecuadorian government (in January 2000) to adopt the US dollar, ostensibly to control inflation.[3] Despite the hindrance of that dollarization, Correa and Moreno were able to make major economic changes that dramatically stabilized and benefited the country.

But as the 55 economists wrote, "Unfortunately, there is much confusion and misinformation about Ecuador's achievements in recent years. It has all but become conventional wisdom that the economic and social progress in Ecuador, such as it is recognized, resulted simply from a commodities boom and a spike in oil revenues. This explanation ignores the innovative and important reforms that the Ecuadorian government has enacted that have played an instrumental role and allowed the country to emerge, relatively unscathed, from the 2009 Global Recession and the more recent collapse in oil prices. These reforms included bringing the central bank into the government's economic team, a tax on capital exiting the country, a large increase in public investment, re-regulation of the financial sector, and countercyclical fiscal policy…. Our goal is not to tell Ecuadorians whom to vote for, or to interfere in Ecuador's political processes. With the proliferation of misinformation and misunderstanding about Ecuador's economy, however, we felt it necessary to correct the record."[4]

Central Bank "Independence"

One of the economists who signed the Open Letter is Mark Weisbrot, Co-director of the US-based Center for Economic and Policy Research (CEPR). In 2013, Weisbrot called the reforms instituted by Correa "possibly the most comprehensive financial reform of any country in the 21st century" – especially Ecuador's revoking of the "independence" of its central bank, an independence which is "considered sacrosanct by most economists today." But, Weisbrot added, "Correa, a PhD economist, knew when it was best to ignore the majority of the profession."[5]

In a February 2013 report called "Ecuador's New Deal: Reforming and Regulating the Financial Sector," Weisbrot and two CEPR colleagues had examined this change, which was "hugely important" for many of the other policy changes instituted by Correa.

They wrote: "One of the fundamental principles of the neoliberal economic orthodoxy that has prevailed, increasingly, since the 1970s has been that central banks should be 'independent.' The reasoning behind this argument is that a central bank that is responsible to the executive or legislative branch of the government will succumb to political pressures and allow inflation to get out of control, or at least to rise quickly enough that it will hurt economic growth. There are many problems with this argument, from an empirical, economic, historical, and political point of view. From the point of view of political democracy, it is important to note that this is not an argument for independence of an institution such as the judiciary, which is based on a theory of checks and balances, in order to protect constitutional rights or the rule of law. The argument for the independence of the central bank is more of an elitist argument; it is essentially saying that monetary policy is too important to be influenced by the view or desires of the electorate."[6]

Having highlighted the "elitist" nature of the standard argument, Weisbrot and his colleagues then note: "Having a central bank that is unaccountable to the elected government can be quite harmful; an extreme case can be seen in the eurozone today [2013], where the European Central Bank has played a major role in pushing Europe into its second recession in three years, with record levels of unemployment. In most cases, being 'independent' does not mean being independent of political influences; more often, central banks tend to favor the interests of the financial sector."[7]

Because Ecuador's central bank had been made formally independent of the government under the 1998 constitution, Correa's administration had to change the constitution, which it did in 2008 after approval by the electorate through a referendum. "Thus the Central Bank was made part of the executive branch's economic team, which also included a new Economic Planning Ministry…created by President Correa during the second month of his administration. These changes, especially with regard to the accountability of the Central Bank, have proven very important to the implementation and coordination of new economic policies in Ecuador."[8]

Some of those policies included: increasing taxes on the rich, cutting down on tax evasion, instituting a tax on capital flight, requiring the Central Bank to repatriate billions in assets held abroad, doubling the minimum wage, making education (including university education) free, investing billions in education, health care, housing, and much more.[9] As Stansfield Smith recently wrote, "Correa's government carried out programs that peoples in progressive social movements have advocated throughout the West, if not the world. Ecuador provides an example for what Greece could have done when its crisis hit, if it had a firm anti-neoliberal, anti-imperialist leadership."[10]

But the change in the accountability of the central bank – making it answerable to, and part of, the Correa administration – was especially crucial to a major policy decision enacted by the government.

Money-Creation

Just before the first round of presidential voting on February 19, 2017 CEPR issued another report on Ecuador, called "Decade of Reform: Ecuador's Macroeconomic Policies, Institutional Changes, and Results."[11] As CEPR's Mark Weisbrot wrote for The Nation, in the midst of economic shocks such as the world-wide recession and the collapse in oil prices, the Correa government made "creative" decisions and "smart" policy choices that defied economic orthodoxy. "Ecuador's central bank created billions of dollars that it lent to the government for spending (and also to state-owned banks). This was unexpected for a government that did not even have its own currency, but it proved to be very helpful in the recovery."[12] The CEPR 2017 Report states that "…from 2011 to 2016, the Ecuadorian central bank created about $6.8 billion dollars" that was spent into the economy.[13]

As a result, "Public investment as a percent of GDP more than doubled, and the results were widely appreciated in new roads, hospitals, schools, and access to electricity," as well as "a 38 percent reduction in poverty and a 47 percent reduction in extreme poverty," with "large increases in spending on education and healthcare" that led to the creation of tens of thousands of jobs, all without saddling the government with new debt to private lenders.[14]

After reading the CEPR Report in February, I contacted Mark Weisbrot by email and asked him: Is Ecuador's Central Bank publicly-owned, or does it have private shareholders like the US Federal Reserve? Was Correa able to change the "independence" of the central bank because it is publicly owned?

Weisbrot responded: "It's publicly owned, but the [US] Fed could also be made accountable, and in fact the limited accountability that it has under current law is not fully utilized."

Perhaps not surprisingly, Lenin Moreno's opponent in the April 2 presidential election, former investment banker Guillermo Lasso, had pledged to restore the "independence" of Ecuador's central bank, thereby making it (as critics noted) "an instrument of the big bankers."[15]

The changes under Ecuador's Citizens' Revolution have been profound. Not only is education free, including university, but "to reduce barriers for low-income students the government provides free school supplies, books, uniforms, and meals. Now more than 300,000 children who used to have to work go to school." As well, Ecuador has built 15 schools "focused on teaching and preserving the country's various ancestral ethnic languages." Environmentally, Ecuador has constitutionally enshrined the rights of Mother Earth, and has managed to cut the rate of deforestation in half, while paying communities in the Amazon to protect forests. Ecuador even has a living wage policy: private companies cannot pay dividends to their shareholders until all their employees are provided a living wage.[16]

As Weisbrot has written, "…Ecuador's experience shows that much of the rhetoric about how 'globalization' restricts the choices of governments to those that please international investors is…exaggerated. It turns out that even a relatively small, middle-income developing country can adopt workable alternative policy options – if people can elect a government that is independent and responsible enough to use them."[17]

Canadian Interlude (1)

During the run-up to the first round of Ecuadorian voting, a curious moment occurred in Canada that is well worth examining.

Prime Minister Justin Trudeau (elected in 2015) had decided to cancel his plans to attend the January 2017 World Economic Forum in Davos and instead make a cross-country tour through Canada. Rather than sip champagne with the global elite gathered in the Swiss Alps, Prime Minister Selfie realized that it might be better to "remain connected with Canadians," as his spokesman put it. "This tour will provide many great opportunities to engage directly with Canadians," his press secretary explained.[18]

One possible reason for the tour: there is a growing cross-country movement to return Canada's publicly-owned central bank, the Bank of Canada (BoC), to its pre-1974 mandate and practice of lending nearly interest-free money to federal, provincial, and (potentially) municipal governments for infrastructure and healthcare spending. Spearheaded by the Committee on Monetary and Economic Reform (COMER), Paul Hellyer and Canadian Bank Reformers, and others, this movement is questioning why our federal and provincial governments must borrow from private lenders (and pay debt-servicing charges to the banksters of more than $60 billion per year) when the BoC had a successful history of public lending to governments from 1938 to 1974 without triggering any inflationary problems.

Now the Trudeau cabinet is bypassing the BoC to set up a different Canada Infrastructure Bank that was designed by an advisor from Bank of America Merrill Lynch and will increase the debt by many billions while complicating Canada's monetary problems and privatizing public assets.[19]

So in mid-January, when PM Trudeau was "reconnecting" with the people of Peterborough, Ontario at a town hall meeting, a curious thing happened. Trudeau was talking about an economic matter when COMER's Herb Wiseman shouted out: "Use your central bank." To which Trudeau promptly responded: "That doesn't work."[20]

It was a stunning remark, blithely denying 35 years of Canadian history. Moreover, Ecuador has just proven over the last several years that using the central bank still actually does work to put money into the real economy without taking on debt to the banksters or causing an inflationary spiral.

But Trudeau's casual dismissal fits with his role.

There's a reason why Justin Trudeau has been so lionized by the globalist elite and the corporate press. Remember the IMF's Christine Lagarde exulting over his election, or *The Economist's* October 2016 cover announcing "Liberty moves north," accompanied by an image of the Statue of Liberty wearing a maple-leaf crown? And then there was US Vice-President Joe Biden remarking at an Ottawa state dinner in his honour in

December 2016 that Trudeau would be central to "astronomical" changes in the world. "The progress is going to be made," Biden said, "but it's going to take men like you Mr. Prime Minister, who understand it has to fit within the context of a liberal economic order, a liberal international order, where there's basic rules of the road."[21]

Of course, Biden means a *neoliberal* economic order, where the "rules of the road" are: free-market capitalism, deregulation, austerity budgets, privatization, free trade deals, corporate tax cuts, tax havens, and the "independence" of central banks.

Most Canadians aren't aware of it, but for a decade Canada has been considered "the standard bearer" of neoliberalism, replacing the US in that function. As the Latin Business Chronicle enthused in July 2011, "Since neoliberal economics policies (including the 'Washington Consensus') are associated with the Reagan-Thatcher years, one would deduce that on this side of the pond, the United States remains the standard bearer of this philosophy…. No, The standard bearer, advocate, celebrant of trade and investment liberalization is not the United States but its neighbor north of the 49th parallel – Canada."[22] The writer added, "While there are regimes that blatantly reject this course (Cuba, Venezuela, Ecuador, Bolivia, Nicaragua), their economic performance (not to mention capital flight – physical and human) is testimony to the folly of their policy choices."[23]

So when Trudeau says "That doesn't work," he is neatly summarizing the script he's been given.

Banana Republic

To really appreciate Correa and Moreno's Citizen's Revolution, it's important for readers to know something of Ecuador's not-so-distant past. After all, it's one thing to be creative and smart about challenging neoliberal economic orthodoxy. It's another thing to be creative and smart about challenging that orthodoxy while you're dreading assassination at every turn.

In 1981, when Ecuador's president Jaime Roldos refused to cooperate with "economic hit men" by indebting his country to foreign lenders like the IMF and the World Bank, he was killed in an airplane "accident" – later revealed by declassified documents to have been part of the CIA's Operation Condor, against leftist South American leaders.[24]

Subsequent Ecuadorian presidents took on IMF indebtedness, leading to years of neoliberal austerity and privatization, which almost eliminated Ecuador's small middle-class. In the second edition (1998) of his blockbuster *Killing Hope,* William Blum wrote that the "tiny nation" of Ecuador remained "a classic of banana republic underdevelopment, virtually at the bottom of the economic heap in South America," where 1 percent of the population was very well-off (from oil and other commodities export), while "two-thirds of the people had an average family income of about ten dollars per month."[25]

> **About Our Commenter**
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> 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.

After the banking crisis in 1999 – which caused the currency and people's savings to lose more than half of their value – at least 2 million Ecuadorans (out of a population of 12 million) left the country for economic reasons, especially to find employment.[26]

As Stansfield Smith has written, "after nine presidents in ten years," the Ecuadoran people in 2006 elected Rafael Correa in "a popular repudiation of neoliberalism and neocolonialism," as had happened in Venezuela and Bolivia with the election of Hugo Chavez and Evo Morales.[27]

Besides initiating his pathbreaking economic reforms, Correa also directly took on the entrenched elites. One of his first acts was to shut the US military base in the city of Manta in 2007. When criticized for that daring move, Correa said he would allow a US navy base in Ecuador if the US would allow an Ecuadorian navy base in Miami. Correa also asserted control over the country's oil and other natural resources, "taking them away from domination by multinationals" and renegotiating contracts.[28]

In another brave move, Correa also cancelled about one-third ($3.9 billion) of Ecuador's foreign debt – the portion found to be illegitimate – and showed the world that, as he put it, "government has the power to cancel debt," with obvious lessons for Greece, Spain, Ireland and others.[29] Correa felt strongly that debt-servicing charges – one of the top items in virtually every neoliberal government's budget – are a major drain on social investment. He used the savings from these interest-payments to help the poor.

Empire Strikes Back

Perhaps not surprisingly, there was a ferocious backlash by the elites, and a 2010 coup attempt on his life.

On September 30 of that year, "a police strike ended up in a violent revolt against President Correa, who was held hostage in a hospital for several hours. The clashes resulted in 10 deaths including a presidential guard. Documents emerged showing massive US funding for policemen and opposition groups, through USAID. Despite this direct threat, Correa continued to assert an independent foreign policy; one of his boldest moves was granting Julian Assange asylum in the Ecuadorean embassy in London in 2012, fearing his extradition to the US for the role that WikiLeaks played in exposing war crimes" and other issues.[30]

In October of that same year, Ecuador suffered another economic blow. The government had annulled a contract with US-based Occidental Petroleum because the company had violated a clause stating that it would not sell its drilling rights to another firm without permission. But because Ecuador had a bilateral trade agreement with the US, Occidental launched a lawsuit against the country at the International Centre for Settlement of Investment Disputes, based in the World Bank.

It was a classic investor-state dispute settlement (ISDS) arbitration, and while the tribunal agreed that Occidental had violated its contract and broken the law, it judged that the annulment was "not fair and equitable treatment to the company." In 2012 the dispute tribunal awarded a judgement against Ecuador in the amount of US $1.8 billion – the largest-ever ISDS award to that date – and also required the country to pay $589 million in backdated compound interest, along with half of the costs of the court case, bringing the total penalty to about $2.4 billion.[31]

Not surprisingly, Ecuador (like Venezuela and Bolivia) subsequently refused to sign trade agreements that include an investor-state dispute settlement mechanism, sparking a worldwide resistance to such clauses contained in major trade agreements.

When a 7.8 magnitude earthquake struck Ecuador in Spring of 2016, killing hundreds and causing billions of dollars in damages, Ecuador was nonetheless ordered to pay the final payment of US $180 million to Occidental. As Cecilia Olivet, researcher with the Transnational Institute, stated, "Urgently needed public resources are being channelled to an oil multinational during an emergency because of a decision by for-profit arbitrators at a secret international tribunal."[32]

Through all these tribulations (and more), Correa did not waver in his dedication to Ecuador, delivering remarkable changes to the poor majority. "People must prevail over capital," he said in 2014, and he questioned just whose interest governments should serve: "Elites or the majority? Capital or humankind? The [financial] market or society?"[33]

Canadian Interlude (2)

On November 2, 2016 an e-petition (#421-00858) bearing 1,268 signatures and sponsored by Elizabeth May, leader of the Green Party of Canada, was presented to the Canadian House of Commons. The e-petition (which was initiated in BC) called for the Government of Canada "to restore the use of the Bank of Canada to its original purpose…[which] includes making interest free loans to the municipal, provincial, and federal governments for 'human capital' expenditures (education, health, other social services) and/or infrastructure expenditures." The e-petition expressed the frustration that since 1974 Canadian taxpayers have been "needlessly paying" billions of dollars annually in compound interest to "international financiers" because of debt-servicing charges.

Canada's Finance Minister Bill Morneau officially responded to the e-petition with a very baffling reply (tabled in the House of Commons on January 30, 2017) that stated in part: "…the Bank of Canada would have to create new Canadian currency, which could lead to adverse economic conditions and costs. The experience of many nations has demonstrated that relying on domestic currency creation to finance government expenditures results in excessive inflation, erodes the value of a country's currency and often leads to a misallocation of scarce resources…."

In response, Paul T. Hellyer issued an Open Letter to Morneau (March 14, 2017), stating that issuing new Canadian currency (or credit) "makes perfect sense, but you dismissed it unconditionally on the basis that it would result in 'excessive inflation,' and without any evidence to support your statement. That, minister, is not correct, and I have been looking for an easy way to avoid saying that it is a lie, but my conscience finally dictated that there was no escape. You lied to the House of Commons, and you must know that under British parliamentary precedents you are expected to resign your portfolio forthwith."[34]

Hellyer's lengthy letter explained the historical period in Canada from 1939 to 1974 when the Bank of Canada "created very large sums of what you call 'new Canadian currency'…[and] at no time during this 35-year period did the Bank of Canada create 'excessive' inflation. The experience was comparable to the average of 15 OECD (Organization for Economic Co-operation and Development) countries."[35]

Hellyer only refers to Canada's past monetary experience, but we can also look at the recent years in Ecuador, where the government's money-creation by the central bank for spending into the real economy has been very effective at challenging deep inequities and transforming the country, without causing "excessive inflation."

In Solidarity

By challenging neoliberal economic orthodoxy, Correa and now his successor Lenin Moreno are showing the way out of the indebted mess that most countries are in, including Canada. It will be up to the rest of us to push for the needed changes.

As Hellyer writes: "It just so happens that Canada is the only country in the G20 group of countries that is in a position to act quickly. Parliament could enact the few necessary changes in the statutes in a few weeks – certainly less than a month. So we have not only the good fortune, but also a profound responsibility to the rest of the world, to show what can be done."[36]

In that sense, we will be following upon the example and the courage of Ecuador, a small country that, against all odds, has literally challenged and (so far) successfully defied the overlords.

Joyce Nelson's sixth book is Beyond Banksters: Resisting the New Feudalism*, published by Watershed Sentinel Books, 2016.*

Our Comment

Equador's example is both encouraging and embarrassing.

Given the benefits Equadorans have enjoyed under Correa's leadership, and given his favoured candidate's promise to continue to expand the policies and programs responsible for them, it gives one pause that Moreno won by so slim a margin.

How heartening the example set by the 55 economists from 11 countries, whose cooperative intervention weighed in!

The emphasis on being a "21st century socialist" is indicative of a worldwide recognition that yesterday's models cannot meet the needs of our time.

The reforms cited could be mistaken for a list of what Canada is currently giving up: a *public* central bank; an increase in *public* investment; re-regulation of the financial sector…!

Correa's administration had to *change the constitution,* to retrieve the country's central bank so crucial to positive change!

We, on the other hand, have elected successive governments who have mothballed *our* central bank and are now end-running it with the Canada Infrastructure Bank! (CIB)

The Equadorian government has more than doubled public investment as a percent of GDP, and made all that infrastructure possible without incurring new private debt.

We are rushing to sell off public assets and settle for a toll-road economy. Shame on us!

Canada, equipped as it is with a tried-and-true *public* central bank, and what's left of its social infrastructure, has a special role to play in developing an exemplary model of a 21st century political economy.

We have only to elect "a government that is independent and responsible enough" to adopt those "workable alternative policy options."

Élan

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Sovereign Debt Jubilee, Japanese-Style

By Ellen Brown, The Web of Debt Blog, June 27, 2017

Japan has found a way to write off nearly half its national debt without creating inflation. We could do that too.

Let's face it. There is no way the US government is ever going to pay back a $20 trillion federal debt. The taxpayers will just continue to pay interest on it, year after year.

A lot of interest.

If the Federal Reserve raises the fed funds rate to 3.5% and sells its federal securities into the market, as it is proposing to do, by 2026 the projected tab will be $830 billion annually. That's nearly $1 trillion owed by the taxpayers every year, *just for interest.*

Personal income taxes are at record highs, ringing in at $550 billion in the first four months of fiscal year 2017, or $1.6 trillion annually. But even at those high levels, handing over $830 billion to bondholders will wipe out over half the annual personal income tax take. Yet what is the alternative?

Japan seems to have found one. While the US government is busy driving up its "sovereign" debt and the interest owed on it, Japan has been *canceling* its debt at the rate of $720 billion (¥80tn) per year. How? By selling the debt to its own central bank, which returns the interest to the government. While most central banks have ended their quantitative easing programs and are planning to sell their federal securities, the Bank of Japan continues to aggressively buy its government's debt. An interest-free debt owed to oneself that is rolled over from year to year is effectively void – a debt "jubilee." As noted by fund manager Eric Lonergan in a February 2017 article: "The Bank of Japan is in the process of owning most of the outstanding government debt of Japan (it currently owns around 40%). BoJ holdings are part of the consolidated government balance sheet. So its holdings are in fact the accounting equivalent of a debt cancellation. If I buy back my own mortgage, I don't have a mortgage."

If the Federal Reserve followed the same policy and bought 40% of the US national debt, the Fed would be holding *$8 trillion* in federal securities, three times its current holdings from its quantitative easing programs.

Eight trillion dollars in money created on a computer screen! Monetarists would be aghast. Surely that would trigger runaway hyperinflation!

But if Japan's experience is any indication, it wouldn't. Japan has a *record low inflation rate* of .02 percent. That's not 2 percent, the Fed's target inflation rate, but 1/100th of 2 percent – almost zero. Japan also has an unemployment rate that is at a 22-year low of 2.8%**,** and the yen was up nearly 6% for the year against the dollar as of April 2017.

Selling the government's debt to its own central bank has not succeeded in driving up Japanese prices, even though that was the BoJ's expressed intent. Meanwhile, the economy is doing well. In a February 2017 article in *Mother Jones* titled "The Enduring Mystery of Japan's Economy," Kevin Drum notes that over the past two decades, Japan's gross domestic product per capita has grown steadily and is up by 20 percent. He writes: "It's true that Japan has suffered through two decades of low growth…. [But] despite its persistently low inflation, Japan's economy is doing fine. Their GDP per working-age adult is actually higher than ours. So why are they growing so much more slowly than we are? It's just simple demographics…. Japan is aging fast. Its working-age population peaked in 1997 and has been declining ever since. Fewer workers means a lower GDP even if those workers are as productive as anyone in the world."

Joseph Stiglitz, former chief economist for the World Bank, concurs. In a June 2013 article titled "Japan Is a Model, Not a Cautionary Tale," he wrote: "Along many dimensions – greater income equality, longer life expectancy, lower unemployment, greater investments in children's education and health, and even greater productivity relative to the size of the labor force – Japan has done better than the United States."

That is not to say that all is idyllic in Japan. Forty percent of Japanese workers lack secure full-time employment, adequate pensions and health insurance. But the point underscored here is that large-scale digital money-printing by the central bank used to buy back the government's debt has not inflated prices, the alleged concern preventing other countries from doing it. Quantitative easing simply does not inflate the circulating money supply. In Japan, as in the US, QE is just an asset swap that occurs in the reserve accounts of banks. Government securities are swapped for reserves, which cannot be spent or lent into the consumer economy but can only be lent to other banks or used to buy more government securities.

The Bank of Japan is under heavy pressure to join the other central banks and start tightening the money supply, reversing the "accommodations" made after the 2008 banking crisis. But it is holding firm and is forging ahead with its bond-buying program. Reporting on the Bank of Japan's policy meeting on June 15, 2017, *The Financial Times* stated that BoJ Governor Kuroda "refused to be drawn on an exit strategy from easy monetary policy, despite growing pressure from politicians, markets and the local media to set one out. He said the BoJ was still far from its 2 percent inflation goal and the circumstances of a future exit were too uncertain."

Rather than unwinding their securities purchases, the other central banks might do well to take a lesson from Japan and cancel their own governments' debts. We have entered a new century and a new millennium. Ancient civilizations celebrated a changing of the guard with widespread debt cancellation. It is time for a twenty-first century jubilee from the crippling debts of governments, which could then work on generating some debt relief for their citizens.

Ellen Brown is an attorney, founder of the Public Banking Institute, a Senior Fellow of the Democracy Collaborative, and author of twelve books including Web of Debt *and* The

Public Bank Solution. *She also co-hosts a radio program on PRN.FM called "It's Our Money." Her 300+ blog articles are posted at EllenBrown.com.*

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Our Comment. Paul Hellyer has been clear on the Bank of Canada's capacity to deal with Canada's debt. The Canada Infrastructure Bank, (CIB) on the other hand, is the best debt traps ever – one with a great life expectancy. *Élan*

Debt or Democracy: Public Money for Sustainability and Social Justice

Review of a book by Mary Mellor, Pluto, 2015, ISBN: ISBN: 978-0-7453-3554-4

"For a little while Pooh and *The Floating Bear* were uncertain as to which one of them was meant to be on the top, but after trying one or two different positions, they settled down with *The Floating Bear* underneath and Pooh triumphantly astride it, paddling vigorously with his feet."

A.A. Milne's charming sketches illustrate metaphorically what happens when the tool seeks to become master. In similar vein, as Mary Mellor skillfully demonstrates, the money system is currently dictating the rules to humanity. Why can public money be made available for banks, she asks, when there is none for the people? Her latest book, *Debt or Democracy* is an explanation of the nature of money in the 21st century. She explores the way in which governments create new money ("public money") arguing that, since money is a public and a social tool, its creation should therefore be democratically accountable. Hence public services could be funded by public money. Given the political will, central banks could reclaim money creation for the people rather than acting as banker to banks. The book is a competent, comprehensible and readable analysis of local, national and international banking, whilst introducing the ways in which such a democratising of money could give birth to an entirely new post capitalist economy.

The private, commercial banking system that currently dominates the economy, does not, and cannot stand alone. The banking system of the global market rests entirely upon public trust and public authority. It is necessarily backed by the public capacity to create public currency free of debt. The fact raises the fundamental question of the political will. Why do citizens and taxpayers allow the private finance system to control the public sector? As taxpayer bailouts and subsidies to private banks indicate, the logical progression is to bring money creation under democratic control so that it can be used to serve public purposes. This conclusion flows from the fact that, as Mellor concisely explains, money creation originally lay in the hands of the sovereign rulers of city or nation states. It has shifted from the ruling classes to the commercial sector, but remains necessarily a public resource. The central bank must now return the sovereign right of money creation, free of debt, to the democratic control of the people.

In casting a searchlight on the choice between debt or democracy, Mellor quietly raises questions which go well beyond the scope of this fascinating book. What could be done if the money system was under democratic control? What socially just and ecologically sustainable policies might cease to be blighted by the myth of market freedom backed by the heavy hand of austerity? The answers are all there, sparkling inside the unappetising cover. All you have to do is open it.

Frances Hutchinson

Our Comment

The chief importance of Mellor's book is expressed in its title. It states bluntly exactly where we're at!

We're living through an exciting age of transformation that, over the past four decades has been dragged off course by those who would thwart change and instead, fortify the status quo. To that end, they have monopolized the sovereign power to create money and used that power to ensure policies that they see as serving their best interests.

Mellor states that the basic question addressed in her book is, "Why was there public money for the banks but none for the people?" This question, she shows, "is central to the choice between debt and democracy." She argues adroitly that money is social and public – that "the public currency in all its forms relies on social and public trust," and that, "because money systems and their currencies are of necessity public and social, they should be democratically accountable."

She shreds the myth that it is "private wealth and private money that drives prosperity," and contends that it is "public money and public wealth that creates the framework for private profit," and maintains that public money must be used to support the environment and social justice, "in the same way it has been used to save the financial system."

She makes clear and compelling the case that we *must choose* between debt and democracy and provides the information essential to the task.

While "it is no utopian dream," she does not underestimate the challenge. "What is needed," she realizes, "is the political will to recognize the potential power of public money creation."

Two outstanding, pertinent resources are Michael Rowbotham's *The Grip of Death: A Study of Modern Money, Debt Slavery and Destructive Economics,* and Kate Hawarth's *Doughnut Economics.*

The former is a highly readable background that ought to do much to generate that political will.

The latter is equally accessible. Hawarth quotes Buckminster Fuller who said, "You never change things by fighting the existing reality. To change something, build a new model that makes the existing model obsolete."

Taking up that challenge, Hawarth "[sets] out seven mind-shifting ways in which we can all learn to think like twenty-first-century economists."

Élan

General Comment

The greatest feature of a central bank – however vigorously it may be denied – has been strongly expressed by Joseph Stiglitz in *The Price of Inequality.* He said, "say what you like, *all* central banks are *public*." He went on to argue that they should, therefore, be working for the common good.

Élan

Social Progress Derailed: The New Gravy Express Train

Canada Needs Infrastructure Bank Now

By Sarabjit (Sabi) Marwah, Toronto Star, OpEd, June 20, 2017

The CIB is a creative, risk-mitigating and cost-effective way to deliver some of our public infrastructure projects that may otherwise not be built, or be built over an extended period of time. Delaying the CIB serves little purpose.

Newcomers to the Senate lacking experience in government often find themselves, like me, absorbing a lot of lessons that might first appear to have little to do with our role of soberly examining and, when necessary, amending legislation.

I've learned, for example, that passing a bill can be an often-technical process; that the rules of debate are complex and, even though this Senate is becoming a more independent place, that political matters can sometimes obscure what the Senate really does.

And while I've become appreciative that these are necessary facets of governing, the recent debate surrounding the Canada Infrastructure Bank (CIB) suggests to me that perhaps we ought to be talking a little more about the substance of this proposal, rather than having a breathless procedural discussion about how to split this government's budget in two.

The real issue is that some want the CIB to take effect as soon as possible, while others would prefer to delay it until the fall. Put me firmly in category one.

A large part of the 2015 federal election was fought on the critical policy debate over whether Canada should undertake investments in productivity-enhancing infrastructure projects to address the national infrastructure deficit of $500 billion-plus. Canadians decided our country's roads, highways and other infrastructure are in need of massive replacement and upgrade, and the $35 billion proposal the Senate is currently studying is a good start toward addressing this deficit.

The CIB will bring in badly needed private capital, reduce risk to government and tap valuable expertise from the private and institutional sectors. It would fund projects that are too costly for government alone to undertake, but also too risky for private sector investors to assume on their own.

Despite these good reasons, critics have raised a number of concerns. Notably, they argue that the CIB is not really a bank; that there aren't enough details available on how projects become eligible; and, finally, that the Bank's CEO and its board should not serve at the pleasure of the government.

With respect to the first argument, as a former banker myself, I can attest that the CIB is, indeed, a bank. It may not take deposits in traditional way that we all know, but it is very much a merchant bank that structures projects, takes equity positions and makes investments.

Second, the fact that there aren't enough details on projects that would be eligible for funding shouldn't be a surprise when establishing a major new initiative like the CIB. I have seldom found that all of the details of a new institution's undertakings are laid out before the institution itself is enacted into law. Furthermore, projects of the CIB should be funded on a case-by-case basis, and only after careful review by the experts at the bank.

Lastly, and perhaps most controversially, there are those who argue the bank's CEO and board should not serve at the pleasure of the government, because that would provide elected officials with the temptation to direct the banks's activities. With this I also disagree.

The legislation contains forward-looking provisions that require the minister responsible to consult with the bank's board of directors prior to any termination, removal or suspension of the CEO or chairperson.

This is a standard higher than that at Export Development Canada or Canada Mortgage and Housing Corporation and we have been happy with the governance there for years. Why then would we be unhappy with something that has a higher standard?

Moreover, this bank will be a steward of taxpayer funds and therefore the government has a responsibility to ensure it is properly managed and in the public interest. We cannot risk control of a public institution such as this by private interests.

Further, should the private sector have the impression that their investments would be subject to undue political interference, the bank's reputation would suffer and be contrary to its long term success.

I believe this governance structure strikes the right balance between the interests of taxpayers, and institutional autonomy in the interest of optimal performance.

The argument that the CIB has not been studied carefully enough runs counter to what I've seen. In a thorough prestudy of the bill, the Senate banking committee held six meetings and senators heard from a 29 expert witnesses. This qualifies as a solid review.

The CIB is a creative, risk-mitigating and cost-effective way to deliver some of our public infrastructure projects that may otherwise not be built, or be built over an extended period of time. This is in the best interest of taxpayers, the overall economy and Canada. Delaying the CIB serves little purpose.

Before his appointment to the Senate in 2016 as an independent senator from Ontario, Sabi Marwah was the vice chairman and chief operating officer of the Bank of Nova Scotia (Scotia Bank), a position he had held since 2008.

Our Comment

Of course we need an Infrastructure Bank! That's why the *Bank of Canada Act* enabled the federal government to finance projects at the federal, provincial, and municipal levels, on a near interest-free basis.

The *"real issue"* of the senate debate had to do with the bad habit of burying controversial legislation in an omnibus bill to avoid the scrutiny afforded by a proper debate in the House.

The need for an infrastructure bank hasn't been in doubt since 1934, when the *Bank of Canada Act* made provision for the Central Bank to make loans to the government of Canada or any province. In 1938, parliament passed Bill 143, *Municipal Improvements Assistance Act*, an act to assist municipalities to make self-liquidating improvements. This Act was not rescinded until 1975.

In creating the credit to finance such projects, our *public* Bank of Canada does what we allow private banks to do, except that it does so *in the public interest*, subject to monetary policy established by the federal government. In 1935 Liberal Prime Minister, MacKenzie King, in a nationwide broadcast said: "Once a nation parts with control of its currency, it matters not who makes that nation's laws. Usury, once in control, will wreck any nation. Until the control of currency and credit is restored to government and recognized as its most conspicuous and sacred responsibility, all talk of the sovereignty of Parliament and of democracy is idle and futile."

From 1938, when the bank was nationalized, it was used to create funding for physical infrastructure like the Trans-Canada Highway and the St. Lawrence Seaway, and social infrastructure like Medicare and Old Age Security – without undue debt or inflation.

Since joining the Basel Committee of the Bank for International Settlements (BIS) in 1974, Canada has borrowed instead, at compound interest. By 2012 this change of policy had cost Canadian taxpayers C$ 1 trillion in interest – twice the national debt! That debt has been used to justify a neoliberal austerity agenda in Canada.

Ironically, the need for further debate is made clear in comments like: "The CIB will bring in badly needed private capital, reduce risk to government, and fund projects to costly for government alone to undertake"; "This bank will be a *steward* of taxpayer funds"; "I believe this governance structure strikes the right balance between the interests of taxpayers, and the institutional autonomy in the interest of optimal performance"; "The CIB is a creative risk-mitigating and cost-effective way to deliver some of our public infrastructure projects… This is in the best interest of taxpayers, the overall economy and Canada."

The difference between the Bank of Canada and the proposed Canada Infrastructure Bank (BIS) is that the Bank of Canada is public and legally committed to serve the public interest.

The proposed Canada Infrastructure Bank is private in its structure and in its operation, and will be used to serve the perceived best interests of those who have designed and been put in charge of it.

Graham Towers, first Governor of the Bank of Canada, confirmed that "Anything physically possible and desirable can be made financially possible."

No wonder this government has been in such a hurry to establish and staff their preferred infrastructure bank, and bury its legislation in a 300-page omnibus bill!

Élan

Programmed Response?

To:

The Right Honourable Justin Trudeau, PC, MP, Prime Minister of Canada

The Honourable Bill Morneau, PC, Minister of Finance

Mr. Nathaniel Erskine-Smith, MP, House of Commons

Dear Prime Minister, Minister, and Mr. Erskine-Smith,

Last year an e-petition was submitted to the government requesting that the Bank of Canada fulfill its stated role "*to promote the economic and financial welfare of Canada,"* by returning to previous levels of monetary financing and economic activity[1], as opposed to only focusing on inflation through the blunt and indirect instrument of influencing short-term interest rates in overnight markets.

Minister Morneau's response to the petition was troubling, as it cites disproven assumptions about inflation that Canada's own history belies. Empirical evidence shows that higher levels of federal monetary financing did not effect inflation in Canada[2], the most recent proof being that when, in 2011[3], Harper increased the monetary financing of the BoC 33% for three years, inflation actually decreased[4]. Careful analyses of instances of hyperinflation, by institutions like the IMF, have proven that public money creation alone is never the culprit; speculation, corruption, a poor understanding of monetary policy and economics, and market forces are of greater influence[5].

Claiming that government monetary financing is inflationary, ignores that private, bank money creation dwarfs government money creation at approximately 97%[6] of our money supply created as debt with interest attached[7]. It is their loans and credit that have caused consumer debt to rise to nearly 170% of average income and over 100% of GDP[8], while also inflating asset prices resulting in the soaring housing prices in Toronto and Vancouver[9]. The elimination of reserve requirements at the BoC in 1991, replaced by the amorphous and ephemeral capital requirements, ensured that what little direct control over the money supply the BoC had was gone[10]. Also disproving the notion is that the massive amounts of QE injected into various economies after the '08 crisis did not inflate to consumer prices either (although it did inflate asset prices)[11].

However the most alarmingly ironic statements come from our current BoC governor Mr. Poloz[12]. In selling the notion that a nation with a public central bank counter-intuitively needs foreign investment to fund public infrastructure, he then lists two projects, the St. Lawrence Seaway and the Trans-Canada Highway, which required no foreign investment whatsoever and were primarily funded through monetary financing using the Bank of Canada. The St. Lawrence Seaway did not need US investment, in fact, after the US dragged its heels for too long Canada threatened to go it alone[13], and the US finally got involved because it would not have a claim to any revenues if they didn't share the cost. Either Mr. Poloz is intentionally misleading the public on this history, or he is unaware of the history of the institution he is leading.

The two most economically beneficial banks in the history of Canada are the Bank of Canada and the Industrial Development Bank (now the BDC). Both had the same auspicious beginnings with a capitalization injection of publicly created funds[14]. At the same time the BoC was nationalized in 1938, the government enacted Bill 143, the *Municipal Improvements Assistance Act*, which allowed municipalities to borrow directly from the federal government for building municipal infrastructure[15]. The Bank of Canada was once the largest holder of federal debt, using monetary financing to bring us into the unprecedented growth of our golden years in the post-war period, funding many important public infrastructure projects like the St. Lawrence Seaway, Trans Canada Highway, and early parts of the 401 Highway. More importantly, we had no problem using the BoC to fund our efforts in WWII[16]. Why can't we use it for peaceful purposes as we did until we joined the Bank for International Settlements' first Basel Committee in 1974[17] and proceeded to adopt monetarism, the now disproven notion that the money supply is the main driver of inflation[18]. The resulting increase in federal debt after 1974 is painfully clear[19], and was a direct and immediate result of these policy changes. The following year the government rescinded Bill 143 in line with the dictates of the BIS. Monetarism forced increased private sector borrowing instead of public money creation, and since then the federal share of the total public debt burden has been downloaded onto the provincial and municipal levels[20] and is set to further burden cities now that the 2017 budget has reduced their access to federal funding[21].

Let's say the government needs to build $1 billion in new infrastructure. It can either create the money with the Bank of Canada *or* borrow the funds selling bonds in capital markets

Either way, $1 billion is spent on public goods, it will have the same result economically and socially and create exactly the same number of jobs and result in the same physical asset[22]. The only difference is that if the money is borrowed, it has to be paid back with interest.

It is most worrying to hear Prime Minister Trudeau speak to business audiences wooing them with promises of high returns with an unnecessary Canada Infrastructure Bank[23], when, in the Bank of Canada, we already have one that does not require private investors. The greatest concern of all however, comes from the government's admission, allowance, and dismissal of the obvious conflict of interest in the government allowing a council heavily tilted in favour of big business interests (representatives from BlackRock, the world's largest asset manager, and McKinsey & Co.) to devise the plans for the infrastructure bank that will facilitate the high returns on their investments[24]. Despite the clear conflict, no disclosures were made and no one recused himself for any of the council decisions. The government worked for months with these advisors to prepare for the closed door meeting, organized by BlackRock, between Prime Minister Trudeau and institutional investors. BlackRock even tailored and vetted the Infrastructure Minister's presentation to ensure it was what investors wanted to hear. Furthering the conflict of interest is Michael Sabia, the president of the Caisse who wants $1.3 billion from Ottawa for light rail, leading policy discussions on the CIB as a member of Minister Morneau's Advisory Council on Economic Growth. How are Canadians to have faith in a bank structured by the very players that will profit from it?

The manner in which the infrastructure bank was presented in legislation does little to inspire faith in it either. Following in Harper's tradition the CIB was jammed into the undemocratic omnibus Bill C-44 stifling debate[25]. The Senate is considering the need to debate the CIB legislation separately[26], as such an important change to our system should be. Even a KPMG report for Infrastructure Canada itself cautions against rushing in, before more impacts can be considered[27].

With our debt as high as it is (over $1 trillion and counting[28]) and inequality worsening[29], why would we make it worse, promising above average returns and monetizing public infrastructure into a revenue stream for private investors? Even without public money creation, we can use traditional bond issues at a lower rate than investors would expect from an infrastructure bank[30]. The proposed infrastructure bank is a huge deviation from the Liberal election platform to "use its strong credit rating and lending authority to make it easier and more affordable for municipalities to build the projects their communities need."[31] Multiple studies from around the world have proven that using private investment to build assets, for example P3s, costs the public more money, as evidenced by Ontario's Auditor General[32] and the reversal of privatizations in Europe[33].

Are you suggesting an infrastructure bank to build infrastructure or to provide a new revenue stream for large institutional investors? How exactly are we supposed to pay back investors? Are you planning to saddle the new infrastructure with user fees so that they become an ongoing revenue stream? Why do documents show that the government plans to take on more risk to ensure that investors get paid first, and the government last[34]? For how much more debt will taxpayers be on the hook? We already made our debt worse when, in February this year, the BoC reduced its automatic minimum purchase of government bonds from 15% to 14%, increasing our debt burden for no apparent reason except perhaps to increase the available general collateral in overnight markets[35]. Harper's first budget in a majority government cranked the rate up to 20% to suit his needs; the BoC market notice makes clear that it was done "to accommodate the planned increase in government deposits held at the Bank of Canada associated with the Government of Canada's plan announced in the June 2011 budget to increase its prudential liquidity over the next 3 fiscal years"[3]. Not the BoC's plan, the Government of Canada's plan, so why can't we do the same? The BoC is not autonomous; the disagreement with Governor Coyne that necessitated an additional clause in the *BoC Act* proves that[36], as does the disagreements with Governor Crow that led to his not being renewed for another term[37].

We don't need to be a source of unearned income for investment funds, and we don't need to sell off public assets. These are capital assets. *"The cost of acquiring fixed assets is treated as expenditure at the time of acquisition"*[38] instead of being depreciated over the life of the asset as private assets are. That capital cost is also accounted for in the same budget as the operating budget providing services, unlike municipalities' ability to separate capital and operating expenditures[39]. The net effect is to make deficits appear worse than they are. If we really need money we're not willing to create ourselves, we should be going after the billions in tax avoidance and evasion and closing the loopholes that allow it[40], or raising corporate tax rates. Canada itself has become a tax haven as evidenced by Burger King's acquisition of Tim Horton's[41], and Canada has now hit an unenviable milestone, for the first time ever getting more tax revenue from people than from businesses[42].

We need to provide the public with the infrastructure and services needed to ensure a high standard of living befitting a country of our wealth. Deficits are mere accounting, and recent economic studies have proven that austerity shrinks economies and deficit spending grows them[43].

I hope you let evidence and history, and not the specious assumptions espoused by neoliberal institutions like BlackRock, McKinsey & Co, the Chicago School, the London School of Economics, and the private banking community, guide you to the conclusion that we already have the ultimate driver of prosperity and growth: The Bank of Canada.

Thank you for your time,

Adam Smith, Toronto, Ontario

Our Comment

Adam Smith is a young community activist who works in visual effects for feature film and television.

He is working with COMER's elected Executive, to further study banking and monetary reform, and to contribute his considerable skills and abilities to the work of COMER.

He seeks to promote a political economy that will provide equality of opportunity for all, and function in the best interest of the common good.

It's especially encouraging to find young Canadians taking such quality initiatives.

It's hard to believe that any politician could be so unresponsive as to dismiss a submission of such quality, with a stock reply that simply ignores or denies the evidence. Adam also emailed every senator.

Élan

End Notes

1. https://petitions.parl.gc.ca/en/Petition/Details?Petition=e-337.

2. Figure 1: Monetary financing and inflation in Canada, 1958–2012 "Is Monetary Financing Inflationary? A Case Study of the Canadian Economy, 1935-1975" by Josh Ryan-Collins www.levyinstitute.org/pubs/wp_848.pdf. www.thestar.com/opinion/commentary/2015/01/17/monetarism-is-dead-finally.html.

3. www.bankofcanada.ca/2011/10/change-minimum-nominal-bond-purchases.

4. http://thecanadianpress-a.akamaihd.net/graphics/2016/static/cp-cda-inflation-feb.png.

5. Quote about hyperinflation in the Weimar Republic from the IMF: "This episode can therefore clearly not be blamed on excessive money printing by a government-run central bank, but rather on a combination of excessive reparations claims

and of massive money creation by private speculators, aided and abetted by a private central bank" (http://positivemoney.org/2015/12/hyperinflation-how-the-wrong-lessons-were-learned-from-weimar-and-zimbabwe-a-history-of-pqe-part-2-of-8).

6. M0 divided by M3. www.tradingeconomics.com/canada/money-supply-m3.

7. www.lop.parl.gc.ca/Content/LOP/ResearchPublications/2015-51-e.html?cat=economics.

8. http://business.financialpost.com/news/economy/canadas-household-debt-is-now-bigger-than-its-gdp-for-the-first-time.

9. http://business.financialpost.com/news/economy/bank-of-canada-warns-elevated-housing-market-a-major-risk-with-high-prices-in-vancouver-toronto-unsustainable.

10. https://gilliganscorner.wordpress.com/2008/04/06/canadas-private-banks-have-no-reserve-requirements.

11. http://tsi-blog.com/2015/11/why-hasnt-the-feds-qe-caused-inflation. www.theregister.co.uk/2015/06/07/so_why_didnt_quantitative_easing_produce_huge_inflation. http://themarketmogul.com/brief-history-quantitative-easing.

12. www.macleans.ca/economy/for-the-record-stephen-poloz-on-canadian-economic-openness.

13. "However, the project was met with resistance from railway and port lobbyists in the US, and hampered by war and depression in the first half of the century. After rejecting numerous agreements to construct a Seaway, the US Senate finally assented in 1954 when Canada declared it was ready to proceed unilaterally with its own Seaway." https://web.archive.org/web/20080625044719/www.infrastructure.gc.ca/research-recherche/result/alt_formats/pdf/hm05_e.pdf.

14. "The Prime Minister, as a reflationary measure, introduced legislation calling for an expenditure of $39 million on public works to be financed by an expansion of the note issue" (*The Bank of Canada: Origins and Early History* by George S. Watts). "The Bank of Canada subscribed for the full initial stock issue of $25 million and as funds were required drew it down and paid for it. By starting off with only equity money and no borrowed funds, the new Bank (IDB) was to have a favourable start and develop some strength and attractiveness in its operating record before it should have to borrow and pay interest" (*The IDB: A History of Canada's Industrial Development Bank* by E. Ritchie Clark; for context, that is $652 million and $418 million respectively in today's dollars).

15. "This Bill authorizes the Minister of Finance, with the approval of the Governor in Council, to enter into agreements to make loans to municipalities to enable them to pay the whole or part of the cost of constructing or making extension, or improvements to or renewals of a municipal waterworks system, gas plant, electric light system or any other self-liquidating project." www.dropbox.com/s/hftdt0yn5uvzkgo/C-143.pdf?dl=0.

16. "During the war period, $517.8 million of securities were bought directly from the government with newly created central bank money and by converting numerous maturing securities into new Government of Canada issues (Neufeld 1958a, 145; Mcivor 1958, 174). As Plumptre (1941, 155–56) remarks, the effect of this increase in note issue was to provide "a sort of interest-free loan to the Government through the medium of the Bank of Canada." The Bank issued the notes at virtually zero cost to itself, whilst the profits paid to it by the government for holding government debt were all paid back to government which owned all of its stock." www.levyinstitute.org/pubs/wp_848.pdf.

17. www.bis.org/bcbs/history.htm.

18. www.thestar.com/opinion/commentary/2015/01/17/monetarism-is-dead-finally.html.

19. www.fraserinstitute.org/sites/default/files/authors/brief%20history%2012.png.

20. Chart 4: Asset Shares By Order of Government, General Government, 1955–2011. www.policyalternatives.ca/sites/default/files/uploads/publications/National%20Office/2013/01/Canada's%20Infrastructure%20Gap_0.pdf.

21. www.theglobeandmail.com//report-on-business/economy/ottawa-eyes-more-private-cash-in-infrastructure-push/article34392164.

22. "If a loan funds the building of a house, or a railway or a broadband network, it is creating a productive asset. A productive asset creates value over many years, providing a continuous flow of increased products and services over time. Money spent on such an asset should thus be able to be absorbed in to the economy without creating inflation" (http://b.3cdn.net/nefoundation/e79789e1e31f261e95_ypm6b49z7.pdf).

23. www.cbc.ca/news/politics/trudeau-public-private-infrastructure-1.3850155.

24. www.theglobeandmail.com/news/politics/liberals-gave-investors-extraordinary-control-over-infrastructure-bank-op-position/article34910106. www.theglobeandmail.com/news/politics/ottawas-dealings-to-secure-infrastructure-funds-raise-questions/article34904963.

25. www.theglobeandmail.com/news/politics/ndp-forces-commons-debate-on-infrastructure-bank/article34945759.

26. www.theglobeandmail.com/news/politics/senators-discuss-removal-of-infrastructure-bank-from-omnibus-budget-bill/article35011859.

27. www.theglobeandmail.com/news/politics/be-extremely-careful-in-launching-infrastructure-bank-internal-report-warns-ottawa/article34952796.

28. www.nationaldebtclocks.org/debtclock/Canada.

29. www.conferenceboard.ca/hcp/details/society/income-inequality.aspx.

30. "There's no shortage of low-cost public financing available to Canadian governments. Ottawa can now borrow at 0.6 percent over a year and issue 30-year bonds at 1.8 percent, with provinces a percentage point higher. Long-term borrowing rates have never been this low. Meanwhile large private infrastructure investors expect 'stable, predictable returns in the 7 to 9 percent range'…It doesn't take an economist to understand it makes no sense to finance projects at seven to nine percent when you can do so at two percent" (https://canadians.org/blog/trudeau-government-announces-privatization-bank). "This argument doesn't hold up. Borrowing money is largely a balance sheet transaction, and if it's used to invest in infrastructure there will be assets to match these liabilities for many years to come," the report states. Further, they note that Canada has the lowest net debt-to-GDP ratio of the Group of Seven countries by far. "The case for establishing the CIB is not compelling, as it has the potential to increase overall costs to taxpayers while privatizing the most high-return, low-risk infrastructure assets…." (www.theglobeandmail.com/news/politics/case-for-canada-infrastructure-bank-not-compelling-researchers-warn/article34898110).

31. www.liberal.ca/wp-content/uploads/2015/10/New-plan-for-a-strong-middle-class.pdf.

32. www.theglobeandmail.com/news/politics/private-partnerships-cost-ontario-taxpayers-8-billion-auditor-general/article22012009.

33. "A growing number of cities worldwide deciding to end their experiments with privatisation. Since 2007, 170 municipalities in Germany alone have brought energy services back into public hands. Globally, at least 100 cities have done the same with privatised water services over the past 15 years, including dozens of municipalities in France – once seen as a growing focus for water privatisation" (www.theguardian.com/cities/2014/nov/12/hamburg-global-reverse-privatisation-city-services).

34. http://ipolitics.ca/2017/05/31/documents-raise-new-questions-about-taxpayer-risk-in-liberal-infrastructure-bank.

35. www.bankofcanada.ca/2017/02/bank-canada-announces-reduction-minimum-amount-government.

36. "Minister's directive (2) If, notwithstanding the consultations provided for in subsection (1), there should emerge a difference of opinion between the Minister and the Bank concerning the monetary policy to be followed, the Minister may, after consultation with the Governor and with the approval of the Governor in Council, give to the Governor a written directive concerning monetary policy, in specific terms and applicable for a specified period, and the Bank shall comply with that directive" (http://laws-lois.justice.gc.ca/eng/acts/B-2/FullText.html).

37. "This will mean discarding the polite fiction that the Bank has any real say over, and therefore responsibility for, monetary policy formulation – however convenient that story may be for the government and however flattering the Bank of Canada may find it" (*Making Money* by John Crow).

38. www.statcan.gc.ca/pub/68f0023x/2006001/chap/chap7-eng.htm.

39. "An Ontario municipality may issue long-term debt only for capital purposes and cannot borrow for operations…. Repayment of municipal debt is amortized over the term of the debenture with regular contributions being made to the sinking fund" (www1.toronto.ca/wps/portal/contentonly?vgnextoid=ace3c1b8c8412410VgnVCM10000071d60f89RCRD).

40. www.thestar.com/news/world/2016/06/17/offshore-tax-avoidance-fixing-it-made-it-worse.html.

41. http://www.cbc.ca/news/business/burger-king-tim-hortons-deal-skirts-taxes-u-s-group-says-1.2871070.

42. www.huffingtonpost.ca/2013/11/24/corporate-personal-taxes-canada_n_4333694.html.

43. "Since the global turn to austerity in 2010, every country that introduced significant austerity has seen its economy suffer, with the depth of the suffering closely related to the harshness of the austerity… Meanwhile, all of the economic research that allegedly supported the austerity push has been discredited… An economy that is depressed even with zero interest rates is, in effect, an economy in which the public is trying to save more than businesses are willing to invest. In such an economy the government does everyone a service by running deficits and giving frustrated savers a chance to put their money to work. Nor does this borrowing compete with private investment. An economy where interest rates cannot go any lower is an economy awash in desired saving with no place to go, and deficit spending that expands the economy is, if anything, likely to lead to higher private investment than would otherwise materialise" ("The Austerity Delusion" by Paul Krugman in www.theguardian.com/business/ng-interactive/2015/apr/29/the-austerity-delusion). http://michael-hudson.com/2017/03/why-deficits-hurt-banking-profits.

An Open Letter to the Minister of Finance Bill Morneau

March 14, 2017
The Hon. William F. Morneau,
Minister of Finance House of Commons
Ottawa, ON K1A 0A6

Dear Minister:

I am writing in respect to your official response to petition 421-00858 sponsored by Elizabeth May, member of parliament for Saanich-Gulf Islands, BC, calling upon the Government of Canada to restore the use of the Bank of Canada (BoC) to make interest- free loans to governments for "human capital" expenditures. In your reply dated November 12, 2016, you said to do that "would require the Bank of Canada to either borrow the funds it loaned to the Government, or create new Canadian currency."

The first alternative is a non-starter and can be dismissed out of hand. The second suggestion of creating new Canadian currency makes perfect sense, but you dismissed it unconditionally on the basis that it would result in "excessive inflation," and without any evidence to support your statement. That, minister, is not correct, and I have been looking for an easy way to avoid saying that it is a lie, but my conscience finally dictated that there was no escape. You lied to the House of Commons, and you must know that under British parliamentary precedents you are expected to resign your portfolio forthwith.

Also, I must admit that I was not thrilled by your inference that Canadian politicians might be irresponsible. Why did you not say that when Canadian politicians relied heavily on Bank of Canada funding, the inflation rate was comparable to countries that relied exclusively on private banks for their funding? These are the facts.

In 1938 there were no jobs available in Canada. None. Then, in 1939, World War II began and it wasn't long until everyone was either in the armed forces, or working in factories to build the tanks, trucks, airplanes and ships required to support a really magnificent war effort. Unemployment dropped to an historic low of one percent.

You may wonder where the Canadian government got the money to initiate this unprecedented economic miracle. The answer is that the Bank of Canada printed it. The Bank bought government of Canada bonds and paid for them with newly minted cash. The government paid the Bank of Canada interest on the bonds which then, because the government owned 100% of the Bank shares, was returned as dividends, with only the cost of administration deducted. It was near zero cost money that produced such wondrous results.

The newly created money that the government spent into circulation wound up in the private banks where it became what the economists called "high-powered money." High-powered money was really "legal tender" money, or "real money," that the banks could use as "cash reserves" which the law allowed them to leverage into bank loans equal to 12½ times their reserves. So if $10 million of what was literally government-created money was ultimately deposited in one of the commercial banks, the banking system was able to create an additional $125 million in book-entry or "virtual" money.

The commercial banks were able to lend this money to help businesses build factories, develop essential products, help Canadians buy "War Bonds," etc. These large infusions of first government-created cash, followed by bank-created credit, made it possible for Canada to be transformed in a few short years from a largely agricultural and resource- based economy into a significant mixed economy that included a strong manufacturing, industrial and scientific base.

What made this all financially possible was a sharing of the money-creation function between government and the commercial banks. That enabled Canada not only to play a larger-than-life role in the war effort, but also to extend the miracle into the post-war years.

As a member of parliament and cabinet, I was aware that government-created money played a key role in many of our infrastructure projects like the Great St. Lawrence Seaway development, the Trans-Canada Highway, new airport terminals and port facilities. It also enabled the federal government to assist the provinces and municipalities with many of their major public works ranging from bridges to sewage-disposal systems, and including the building of schools, universities and colleges.

Another marvellous benefit that government-created money helped make possible was the establishment of a social security network to help citizens in times of distress. Some of us who had lived through the Great Depression of the 1930s were determined that never again would someone lose their home, farm or life savings due to a serious illness of one of the members of the family. Nor would someone be left destitute because he or she was unemployed. This led to universal pensions, unemployment insurance, and Medicare, all launched with help from the Bank of Canada.

So from 1939 to 1974 the Bank created very large sums of what you call "new Canadian currency" to facilitate a near miracle. With the exception of the wartime years when shortages of consumer goods made a certain amount of inflation inevitable, at no time during this 35-year period did the Bank of Canada create "excessive" inflation. The experience was comparable to the average of 15 OECD (Organization for Economic Co- operation and Development) countries.

In the 9 years from 1958-1966 Canadian prices rose 1.8% compared to the average of 3.1% for the 15 countries. Then from 1964-1991 prices rose 5.6% compared to the 5.85% average. So Canadian experience was neither better nor worse than the competition, and certainly not "excessive" by the norms for that period. Our big advantage was that our amazing performance was financed without accumulating a lot of debt. As I pointed out in an open letter to the prime minister on June 1, 2016, from 1867 to 1974 Canadians had financed two world wars and a very long list of major infrastructure projects while only accumulating an inconsequential $21.6 billion in debt.

The increase in inflation in the late '60s and early '70s was not classical monetary inflation in the sense of too much money chasing too few goods. Store shelves were loaded with produce, and there was only one commodity in short supply. The inflation was primarily due to the wage-price spiral when nominal wages rose by a multiple of productivity for 25 consecutive years – a critically important fact which hasn't yet made its way into the economic textbooks. Regrettably neither politicians nor economists had made any effort to educate the public concerning the simple fact that you can't consume more than you produce, and that there is a close correlation between nominal wages, prices and productivity.

Wage increases, with a few exceptions such as corporate executives, are no longer a problem. But there are other problems such as increasing taxes, and price increases due to the cartelization encouraged by globalization. They are of greater immediate concern than monetary inflation.

The system of money-creation sharing between the government and private banks worked splendidly for 35 years until 1974, when the Bank of Canada unilaterally changed the rules. As far as I know – and I and others have spent many hours in research without finding any evidence to refute it – this was done without either advising or obtaining the consent of the Canadian government that owns 100% of the Bank's shares.

The Governor of the Bank of Canada, Gerald K. Bouey, simply announced that the Bank was adopting "monetarism." There was no mention that this was being done to conform to a policy of the Bank for International Settlements (BIS), in Basel, Switzerland. Of much greater significance was the failure to disclose that the Bank was adopting the BIS's prohibition of providing low cost money to governments. In future, we would have to borrow in the market, and pay market rates.

The social and financial consequences proved to be disastrous. It has been downhill ever since. In 1974 there were no foods banks in Canada. Not one. The latest count is 2,108. This can be attributed to the change in policy which has cost Canadian taxpayers a fortune. From fiscal 1974/75 to fiscal 2013/14 we paid $1.17 trillion on federal debt alone – the equivalent to more than $13,000 for every family of four – almost all of it totally unnecessary. Just imagine what more than a trillion dollars could have accomplished if it had been spent on health care, education, keeping promises to our aboriginal brothers and sisters, the arts, research for clean energy and infrastructure.

To be overly kind to Gerald Bouey, he may have been influenced by the fact that the wage-price spiral peaked in 1974 and policy makers were looking for solutions. Bouey induced a minor recession in 1974-75 but a vastly more important one in 1981-82 in concert with Paul Volcker, Chairman of the Federal Reserve System, a devoted apostle of Milton Friedman and his classroom abstractions. Volcker came within hours of crashing the whole world financial system by pushing US interest rates as high as 22 percent.

The results were disastrous both socially and economically. Tens of thousands of people lost their jobs, their homes and their businesses. Government revenues fell, while rising deficits were rolled over into debt acquired at astronomical cost. It was the beginning of a debt cycle from which we have never recovered. Central banks, which have never been known for their finesse, used interest rates as the bluntest of instruments – comparable to using a bulldozer to weed a vegetable garden. The tragedy is that a 12-month wage-price freeze on everything except commodities, would have reduced inflation to near zero without the loss of a single job.

Canada was just beginning to recover from the horrendous consequences of the 1981-82 fiasco when along came an even more evangelical believer in the infallibility of Central Banks, John Crow, who did it to us again in 1990-91.

As you suggest, 1991 was a critical year in Canada's monetary history. The Canadian chartered banks lobbied the government to remove the 8% cash reserve against deposits requirement, which had been in effect since the BoC was established. Governor Crow assured the then minister of finance that there were other ways of controlling the growth in the money supply. So the *Bank Act* was amended and cash reserves eliminated over 4 years. Today you are lucky if your bank has more than a cent or a cent-and-a-half in cash (legal tender) for every dollar you think you have in the bank.

What a lovely Christmas present for the banks, billions of dollars a year additional profit because they no longer had to keep cash on hand that wasn't earning interest. And what a slap in the face to taxpayers who, after being robbed of the benefit of low cost BoC-created money in 1974, lost the benefits of seigniorage (the profit from printing the cash that the banks had to keep as reserves.)

This was the end of the so-called "partial reserve" system of banking. It was replaced by a new "norm" called "capital adequacy." Banks were required to maintain about 5 cents in invested capital for every dollar of new loans they create. The new system should have been called "capital inadequacy" because after the meltdown of 2007/08 all the banks, including Canadian banks, had to be bailed out by taxpayers and/or their central bank, or both.

Even more disconcerting was Governor Crow's attempt to have the *Bank of Canada Act* amended to limit its role to preserving the purchasing power of the currency at the expense of encouraging job creation and economic growth for the people. Fortunately members of parliament refused to be bulldozed. The compromise was that the BoC should adopt policies designed to limit inflation to 2 percent. That was a de facto change in the preamble of the *BoC Act*, to eliminate the final section which reads, "to promote the economic and financial welfare of Canada."

You say concerning the 2% inflation rule, "This is the best contribution monetary policy can make to solid economic performance." I doubt that you are kidding anyone but yourself. It is 180% opposite to the de facto preamble established by the first, and arguably most progressive and enlightened, of BoC governors. In response to questions from the Commons Finance Committee he assured members that the BoC would finance the war effort up to the physical limits of the economy. He kept his promise, both during and after the war. It was the policy that gave us the best 35 of the last 100 years. Since 1991 it has been "austerity economics" designed to shrink the real economy to fit the blueprint of the financial economy.

In 1995 the government of the day introduced a draconian budget that ended the Canada we knew. Some federal responsibilities were downloaded to the provinces, which in turn downloaded on the municipalities which had to cut corners and raise taxes. Cash strapped provinces began to build casinos and promote gambling, which is just another tax on the poor. Commercial advertising was encouraged everywhere, including some of Toronto's beautiful new streetcars being plastered with paint. New charges were applied to formerly free public spaces. Thousands of public service jobs were contracted out in order to save a few dollars in the short run, while establishing a liability for increased costs in their retirement years. Most discouraging of all is to see a whole generation of young people who believe they can't have a life as good as their parents. It should be the other way around.

The banking and financial system is broke! Private banks have persuaded politicians to give them a monopoly on money creation even though it is the people who own the patent, and the banks are only licensees. But bank-created money is all created as debt – debt that has to be repaid with interest. Unfortunately, however, no one creates any money with which to repay either principal or interest. So we find ourselves in the unhappy position of having to raise taxes, which are already too high for many people to pay, or borrow more, and go further and further in debt. The system is at a dead end, and anyone who can't see that must be numerically challenged.

So what has been your proposed solution, minister? It is to borrow more and put us further in debt? Even your own department is concerned. The numbers released quietly at the end of 2016 paint a bleak picture of Canada's future – one filled with decades of deficits.

An article posted by Andy Blatchford of The Canadian Press, on January 5, 2017, reads in part: "The report, published on the Finance Department website two days before Christmas, predicts that, barring any policy changes, the federal debt could climb past $1.55 trillion by (2050-51) – more than double its current level."

"The projection comes as the federal Liberals proceed with plans to run annual deficits over at least the next six years as a way to help Ottawa fund an economy-boosting effort that includes infrastructure investments."

Wow! By 2050 my great-grandchildren will be adults, and you plan to leave them with an anemic economy and a debt of $1.5 trillion or more. What if the banking cartel, which controls central banks, decides to raise interest rates to 10 percent? They would crash the system and buy up our children's assets for pennies on the dollar.

Which brings me, finally, to your proposed Infrastructure Bank – a Trojan Horse if ever there was one.

Do you know who you are getting into bed with? The head of your advisory panel provides a direct link to the folk who have been ripping off the people of the world for three centuries. They put up 1,200,000 pounds of gold and silver when the Bank of England was chartered in 1694 and lent it all to King William at 8% per annum, a very high interest rate for a government guaranteed loan. The King, either to show his appreciation, or to fulfil a promise – we may never know which, allowed them to *print* 1,200,000 pounds in bank notes and lend them to their rich friends. In effect, they were allowed to lend the same money twice, once to the King and once to their friends, and collect interest from each. A leverage of two to one.

Over the years due to their avarice, and the cooperation of the politicians, they have managed to get the leverage up to 20 to 1 which is nothing less than a global fraud of gargantuan proportions. The flip side, of course, is that they can buy up the world's assets for 5 cents on the dollar, and they have been. Three years ago 88 families owned half of all the wealth in the world. A year later the number was 80 families, and in 2016 it was 62 families, so the concentration of power and influence continues.

That is a fact I find difficult in getting my mind around. I make a list of all the big cities I can think of, and then try to comprehend that 62 families own the equivalent of every second one, lock, stock and barrel. They achieved this by persuading naïve politicians to give them a monopoly to create money.

The same group was responsible for the Great Depression, with all its incalculable misery. (See the US Senate Finance Committee Pecora Report.)

Of course there was method in their madness. Most of the small banks went bankrupt and property values plummeted so the big boys could buy up assets real cheap.

Every recession offered opportunities to buy assets at low prices and the Great Recession of 2007-08 (another inside job) produced another year-round clearance sale which has been going on for almost as long as the Great Depression, and there is no end in sight. There is street talk to the effect that there might be another meltdown in the offing, but whether it happens or not, the mere knowledge that the cartel could do it, if and when they decide to, is quite upsetting.

Worse than that, the same folk may be planning a total crash of the whole world financial system so they can introduce a single virtual currency that would give them the same complete control over each one of us as individuals that they now exercise over our countries. They have to be cut off at the pass, now, or it is going to be game over!

There have been many monetary reformers over the last century or so, but no one has succeeded in informing the public due to a brainwashed academy and a disinterested press. But the situation is getting more desperate now. World debt is at an all time high, as is the number of unemployed worldwide. The situation will deteriorate further because robots are beginning to eliminate many jobs, especially in the "tax producing" sector of the economy. A major source of new jobs will have to come from the public sector, the "tax consuming" sector. So a new revenue stream is essential to provide the financial flexibility to meet the needs of an aging population.

There is a fast rising concern about the future, and a number of possible solutions are being put forward such as "positive money" in the United Kingdom, and helicopter drops in several countries. But the best one I have seen so far is one my colleagues and I developed in 2013 that meets the essential criteria.

It provides a major infusion of government-created debt-free money to dilute the ocean of debt in which we are drowning. It would end 43 years of underfunding essential services. It provides for a smooth transition from the present volatile and unpredictable system to one that is stable and meets the essential needs of all parties concerned. It changes the balance of power between the richest fraction of the wealthy one percent in favour of the 99%, which is long overdue! It is called "A Social Contract Between the Government and People of Canada."

So, speaking on behalf of the millions of underdogs, we demand that the federal parliament use its constitutional power over all matters pertaining to money and banking by forthwith taking the following action to benefit all Canadians. The figures suggested, which are based on 5% of bank deposits, are a bit out of date, but they are close enough for all practical purposes.

1. The government of Canada should print fifteen non-transferable, non-convertible, non-redeemable $10 billion nominal value Canada share certificates.

2. Simultaneously the Justice Department should be asked for a legal opinion as to whether the share certificates qualify as collateral under the *Bank of Canada Act*. If not, legislation should be introduced to amend the Act to specify their eligibility.

3. The government should then present the share certificates to the Bank of Canada that would forthwith book the certificates as assets against the liability of the cash created, and deposit $150 billion in the government's bank accounts. The federal government should immediately transfer $75 billion to the various provinces and territories in amounts proportional to their population, with the understanding that they would help the municipalities, as appropriate, so there would be no need to cut back on essential services, or sell valuable assets.

4. Amend the *Bank Act* to reverse the 1991 amendments that eliminated the requirement for the Canadian chartered banks to maintain cash reserves against their deposits, and provide the Minister of Finance, or someone acting on his or her behalf, the power to set the level of cash reserves for banks and other deposit-taking institutions up to a maximum of 34%, provided the increase is not less than 5% per annum until the new 34% has been established in 7 years. *This will ensure that there will be no inflation resulting from the government-created money.*

5. The government should repeat the action prescribed in Sections 1 and 3 every year for 7 years or until bank cash reserves reach 34% of their total assets.

6. Once the transition has been made the Governor of the central bank shall, each year, estimate the amount of increase in the money stock required to keep the economy growing at its optimum with the number of job openings being roughly equal to the number of job seekers. He/she shall then acquire, on a predetermined schedule, shares from the federal government in exchange for cash up to 34% of that amount.

7. In the event of a disagreement between the Governor and the Minister of Finance in respect of the amount by which the money supply should be increased, or the rate of interest to be charged by the bank on overnight lending, the view of the Minister shall prevail. In any such case, however, a direction from the Minister shall be in writing and made public forthwith, in accordance with Section 14 (2 & 3) of the *Bank of Canada Act*. This procedure is consistent with the principles of democracy, and should eliminate future cases of monetary and fiscal policies being at odds rather than working in harmony.

These measures will at least double the rate of economic growth and reduce the level of unemployment by half in less than 2 years. The amount of debt-free money is sufficient to restore all segments of the economy.

Almost every day I read in one of the papers, or hear on radio or TV, of projects desperately in need of funding. I will only mention two. An article in the *Toronto Star* on January 17, 2017 by Jennifer Pagliaro and Emily Mathieu read as follows.

"Toronto Community Housing is on track to board up one unit per day in 2018 if more funding for repairs can't be secured, the head of the social housing corporation told the *Star*.

An estimated 425 units are already slated to close in 2017, pushing the total number of boarded-up subsidized housing units to nearly 1,000 with more than 177,000 people on the wait-list in Toronto – enough for three sold-out crowds at the Rogers Centre."

Shame on us!

Another article in the *Toronto Star* of March 4, 2017 entitled "Indigenous justice program faces cuts." Despite 43% drop in recidivism, federal initiative will get less funding this year.

"Ottawa – A federal justice initiative to help indigenous offenders and victims of crime doesn't have enough money to meet demand, can only hire "minimal staff," and isn't available in most communities, a new government review has found."

These are just two examples of hundreds of needs waiting to be properly funded. We might even have to pick up the US portion of the Great Lakes clean-up which seems to be in jeopardy. The program must go on!

It just so happens that Canada is the only country in the G20 group of countries that is in a position to act quickly. Parliament could enact the few necessary changes in the statutes in a few weeks – certainly less than a month. So we have not only the good fortune, but also a profound responsibility to the rest of the world, to show what can be done. So by all that is holy we must not fail! You never know, it is just possible that when the US sees how well the system works they may want to use it to solve their own financial problems rather than beggar their neighbours.

It is sad, minister, that you have to pass the torch because you are considered a really nice man. But in the league in which you have been playing, nice guys finish last. The budget will have to be postponed long enough to go from negative to positive, and cut out the middle men who want to buy or mortgage more of our country.

Most important of all, notice has to be given to all Canadians that the financial famine has ended, and hope has been reborn.

Yours sincerely,
Paul T. Hellyer

Appendix A: Rounded Distribution of Transfers to Provinces and Territories

Government of Canada	$75 billion
Provinces and Territories	$75 billion
Newfoundland & Labrador	$1.10 billion
Prince Edward Island	$314 million
Nova Scotia	$2.04 billion
New Brunswick	$1.625 billion
Quebec	$17.319 billion
Ontario	$29.040 billion
Manitoba	$2.724 billion
Saskatchewan	$2.322 billion
Alberta	$8.329 billion
British Columbia	$9.939 billion
Yukon	$77 million
Northwest Territories	$93 million
Nunavut	$72 million
	$74,994,000,000

(Based on Statistics Canada 2012 numbers)

N.B. See Appendix A for a breakdown of payments to the provinces and territories.

Our Comment

Feedback from COMER members would suggest that Paul Hellyer's letter to the Minister of Finance, Bill Morneau, would be a welcome and a helpful background in our ongoing struggle against the CIB debt trap.

Paul has long been an invaluable COMER ally. How fortunate we are to have someone Who Was There – especially someone so wonderfully able and dedicated as Paul – to testify to the history and the validity of the Bank of Canada as a public and social institution organized and empowered to operate "in the best interests of the economic life of the nation"! (*Bank of Canada Act*, 1934).

His contribution continues unabated.

To date there has been no response from the Honourable Bill Morneau.

Élan

General Comment

"This week has been designated "National Infrastructure Week" by the US Chambers of Commerce, the American Society of Civil Engineers (ASCE), and over 150 affiliates. Their message: "It's time to rebuild." Ever since ASCE began issuing its "National Infrastructure Report Card" in 1998, the nation has gotten a dismal grade of D or D+. In the meantime, the estimated cost of fixing its infrastructure has gone up from $1.3 trillion to $4.6 trillion" ("If China Can Fund Infrastructure with Its Own Credit, So Can We" by Ellen Brown, *Common Dreams*, May 17, 2017).

"Time to rebuild." Got that right! But, rebuild what? Why? What's behind this idea? If the prevailing answers to such questions come from those who have organized and promoted the *Canada* Infrastructure Bank scheme, the rest of us need to stop this train and get off.

Canada's engineers have hustled Canadians on board through the infamous omnibus bill. While the NDP shone some light on the matter by causing a debate in both houses on a resolution to extract Bill C-44 and debate it in the House, they were, in the end foiled by a narrow margin in the chamber of "sober second thought" (like that expressed by Senator Sarabjit Marwah).

It's our political economy that we need to rebuild. The phony Infrastructure Bank is a ploy to protract the already overdue, natural demise of a failed system. *Élan*