THE JOURNAL OF THE COMMITTEE ON MONETARY AND ECONOMIC REFORM

COMER

$3.95 Vol. 30, No. 4 • JULY–AUGUST 2018

CONTENTS

Publications Mail Agreement No. 41796016

Begging for NAFTA

By David Orchard and Marjaleena Repo, Global Research, September 2, 2018

Canadians are being inundated, virtually around the clock, by calls from political and corporate quarters, faithfully reported and embellished by the media, to "save NAFTA." If NAFTA is "killed," we are told, Canadians will lose thousands of jobs, our standard of living will drop and our trade with the US and our access to that market will be damaged. To prevent these catastrophic results Canadians, they say, must be prepared to make major concessions, including, if necessary, sacrificing the livelihood of our dairy farmers and their well-managed industry.

Talk about not seeing the forest for the trees, in this case the tree being NAFTA! What those pleading for NAFTA seem to have forgotten, or simply don't know, is that Canada already has another free trade agreement with the US, which will continue to rule us even if NAFTA is gone.

The FTA came into effect in 1989 with great fanfare, including promises of "jobs, jobs, jobs," a higher standard of living and "secure access to the largest, richest market in the world." These promises remain unfulfilled, but Canadians paid dearly for them. Canada agreed never to screen any new American ownership coming into Canada. It granted American corporations and investors the same rights in Canada as Canadians (national treatment). Canada agreed that even if facing shortages itself it must continue to deliver to the US the same portion of any good the US was taking before the shortage – including all forms of energy. Further Canada agreed to never charge American companies or citizens more for any good, including, again, all forms of energy, than Canadians are charged. We agreed to allow the US to challenge "any measure" which could reduce benefits US corporations might expect to obtain in Canada. (Under NAFTA's chapter 11 Canada simply gave US corporations an even more explicit right to sue us, which they have done some 45 times, overturning Canadian laws and pocketing over $200 million in the process.)

From these give-aways to the US it is clear why US president Donald Trump has not said a bad word about the FTA and has not once threatened to get out of it! They also make it clear why Liberal leader John Turner, who fought the FTA hardest in the 1988 federal election, called the FTA "the Sale of Canada Act," and why another former Liberal leader and prime minister, Pierre Trudeau, called it "a monstrous swindle." What a difference it would make if our current government had listened to these predecessors, instead of rushing to a full body embrace of all things NAFTA, no matter the cost.

If NAFTA ceases to exist tomorrow, all those eager to see Canada integrated into the US economy should be well satisfied with the FTA! To make even more concessions to keep the NAFTA strait jacket would be comic if it wasn't so dangerous and destructive to Canada's economy and sovereignty.

In fact, Canada does not need NAFTA or the FTA, and never did. It could profitably withdraw from both with a simple six months notice. Canada, along with the USA and Mexico, is a member of the world's largest free trade agreement and has been for many decades, something those begging for NAFTA blithely ignore or downplay. Formerly called the GATT, the World Trade Organization (WTO) is a multilateral organization with 164 member states in which Canada has more allies and much more clout than trying to negotiate one-on-one

Continued on page 10

COMER

FOUNDING EDITOR
John Hotson 1930–1996

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

INFORMATION SECRETARY
Larry Farquharson

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

COMER Membership: Annual dues (includes *ER* plus 1 book of your choice): CDN$50

***Economic Reform* subscription only:**
One year (6 issues): in Canada, CDN$20; Foreign, CDN$40

Send request and payment to:
COMER Publications
27 Sherbourne Street North, Suite 1
Toronto, ON M4W 2T3

***ER* Back Issues:** CDN/US$4, includes postage; additional copies same issue, $2; additional issue same order, $3. Send requests for back issues to COMER, 27 Sherbourne Street North, Suite 1 Toronto, ON M4W 2T3.

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

PRINTING AND DISTRIBUTION
Watt Solutions Inc., London

Printed in Canada on recycled paper.

Ten Reasons Canada Should Get Out of NAFTA

By David Orchard, Global Research, June 19, 2018

For months Canadians have been inundated with claims from the government, various and sundry industries, and the national punditry, that NAFTA is good for our country, even necessary, and that "renegotiated" it will be even better. In the aftermath of US president Trump's recent visit to Canada, virtually the entire Canadian political class has completely abandoned the vision of an independent, sovereign Canada. From the prime minister on down they rush to Brian Mulroney, the architect of the integration of Canada into the US, for direction and advice on how to "save NAFTA." The door is now wide open for our country to take a different route, to reject NAFTA and build a nation which controls its own economy and destiny. Here are ten reasons why Canada should free itself from NAFTA, not enter more deeply into it.

One: Under NAFTA US corporations have the right to sue Canada for any law or regulation which they do not like and which they feel contravenes the spirit of NAFTA. US corporations have sued Canada 42 times under NAFTA, overturned Canadian laws and received over $200 million in NAFTA fines, plus approximately $100 million in legal fees, from Canada – and have filed claims for some five billion more. Why would any nation give foreign corporations the right to sue it and dictate its laws? (Canadian corporations can also sue the US. They have tried several times and failed each time.)

Two: Under the FTA, which is part of NAFTA, Canada agreed to never charge the Americans more for any good that we export to them than it charges Canadians. Why would Canada ever agree to such a provision and what in the world does it have to do with free trade?

Three: Canada agreed that it would never cut back on the amount of any good, including all forms of energy, that it sells to the US unless it cut back on Canadians proportionally at the same time. Why would Canada agree to deny its own citizens preferential access to their own resources?

Four: Except for a few exceptions, Canada agreed to allow US citizens and corporations to buy up Canadian companies and industries without restriction. They have taken over thousands of Canadian companies, from both our national railways to our retail industry to our grain companies. In 1867 the US purchased Alaska for $7 million. It is now purchasing Canada just as surely.

Five: Under NAFTA Canada's standard of living has not risen, it has fallen. The real wages of Canadians are dropping steadily, and the divide between haves and have nots has soared.

Six: NAFTA is not free trade. It is the integration of North America into a continental economy. Integration means assimilation and that for Canada means the end of our country.

Seven: Locked into NAFTA Canada loses its ability to be an independent country. We see our country following the US on the world stage, even attacking and bombing small nations that have done no harm to Canada because, some of our leaders suggest, we must follow the US because our economies are so intertwined. (Then we watch some of the same leaders wringing their hands over the agony of the fleeing refugees our bombs have helped to create!)

Eight: Farsighted Canadian leaders have repeatedly warned their fellow citizens against free trade with the United States. John A. Macdonald called the very idea "veiled treason" because it meant giving control of our nation to a foreign power. George-Etienne Cartier said the end result would be union with United States, "that is to say, our annihilation as a country." Robert Borden called free trade "the most momentous question" ever submitted to Canadians "not a mere question of markets but the future destiny of Canada." John Diefenbaker called on Canadians "to take a clear stand in opposition to economic continentalism" and the "baneful effects of foreign ownership." Pierre Elliott Trudeau called the FTA "a monstrous swindle, under which the Canadian government has ceded to the United States of America a large slice of the country's sovereignty over its economy and natural resources." John Turner called it "the Sale of Canada Act."

Nine: In its early days Canada had no income tax. It used the revenue from tariffs on imported goods to finance the operation of the country and it had little or no debt throughout much of its history. Today after three decades of "free trade" with the US, Canada is carrying a record $1.2 trillion in federal and provincial debt and the tax burden on ordinary Canadians increases year after year. The rate of homelessness and use of food banks has escalated, public institutions and programs on which citizens rely have been cut, while record amounts of raw resources are being poured across the border at fire sale prices.

Ten: Canada's economy is roughly one tenth the size of that of the US. If we do not protect our industries, our sovereignty, and our economy, our country will be absorbed into the United States. This means the end of the dream of an independent Canada standing among the world's nations with pride and dignity. It not be so. Both the FTA and NAFTA have cancellation clauses. With a simple 6 month's notice Canada can withdraw without penalty. All three NAFTA countries are members of the World Trade Organization and our trade with them would simply revert back to WTO rules, under which we did much better than we have under NAFTA, and without any US corporate right to sue us or buy up our country.

David Orchard was twice a contender for the leadership of the Progressive Conservative Party of Canada. He is the author of The Fight For Canada: Four Centuries of Resistance to American Expansionism. *He can be reached at davidorchard@sasktel.net.*

Our Comment

For many reasons, Canada has an opportunity and obligation to play a leading role in the development of a system that admits of both true national sovereignty and fair global cooperation in meaningful trade that makes sense, that works for everyone, and that is not just a ruse to mask world domination. Such a system could – as never before – promote environmental preservation, and world peace. Won't it be interesting to see what this round of Canadian negotiators are willing to settle for?! *Élan*

Trump, Obama and the Nature of Fascism

By Tony McKenna, www.counterpunch.org, July 4, 2018

The latest Trump scandal hitting the news – the interment of children in cages, the forcible separation of screaming toddlers from their parents. It seemed to have touched a level of inhumanity which is breathtaking, even by the standards of the current US administration; an administration which already feels like the court of Caligula set to an episode of bad reality TV, with a soundtrack handily provided by the loony toons. Fortunately, the president has stepped back, has issued a decree which will reverse the vile and traumatising project of cleaving immigrant parents from their kids – though the practise of locking them all up in the same cage still seems to fall somewhat short of a positive exercise in empathy and human rights.

As a result of such events, Facebook was deluged with a variety of memes: but all carrying the same essential message. Trump, it was averred, is a fascist. Some of these were done with wit and verve: the image of a famous brand of margarine appeared, with Trump's big sniggering face gurning out, underwritten by the slogan "I Can't Believe It's Not Hitler." Others were significantly more serious; a host of images appeared split into two halves: on the top a photo of immigrant children who have been imprisoned in 2018 in American border camps, on the bottom images from Nazi concentration camps of emaciated Jewish children – wide, haunted eyes gazing out from behind writhing barbed wire. Others pointed out with mournful gravitas that Hitler did not begin with the Final Solution, that he worked his way up to it, and all it took was good people not to act. Trump 2018, then, reimagined in the guise of early thirties Nazi Germany.

It is easy to understand such comparisons; the dehumanising of others, the reduction of people – both rhetorically and literally – to the status of caged animals has been part and parcel of Trump's ongoing polemic and political project, and has clear affinities with fascist thought in terms of its othering of minorities, immigrants, and the disempowered more generally. But fascism is about more than just ideology.

Fascism evolved out of the need to neutralize strong mobilizations of the working class, so for instance, Hitler's antecedents, the Freikorps, developed out of the struggle against the proletarian revolution which took place in Germany in November 1918, as they helped suppress the uprising, murdering its leaders, most famously Rosa Luxemburg and Karl Liebknecht. Mussolini's movement and his Black Shirts evolved out of the need to destroy a very powerful workers' movement which had formed works councils amid sweeping industrial unrest in the north in cities like Turin during the early twenties, and a Socialist Party which had hundreds of thousands of members.

In the case of Hitler himself, in combating a militant, highly industrialised German working class, he had not only forged his own party apparatus, but had amassed a personal army of hundreds of thousands of troops in 1932 (the year before he took power) – an army not only separate from the national army but also one far greater in number. He was able to do away with the liberal democratic institutions because of this, and because the ruling elite backed his play, for they themselves felt that the working classes were a threat to the capitalist system per-se and could no longer be contained within the parameters of parliamentarianism. Fascism, then, is the most extreme, barbaric and lethal form of counterrevolution which involves crippling every democratic expression of the masses through the most prolonged and bloody form of open civil war.

None of these conditions pertain in the US. Unfortunately, the workers movements are relatively "passive" having been in retreat for many years. In addition, Trump has no organised, auxiliary army which could bolster any attempt on his part to smash the worker's organisations at a stroke, to absorb the unions into the state wholesale, and to abolish the political-democratic apparatus; perhaps more importantly, the American ruling class, have no interest in supporting such an offensive for the simple reason that class antagonism has been managed incredibly effectively within the particular American style of "oligarchic" democracy – even at a time of severe economic crisis.

Within two months of having been in power, Hitler was able to purge much of the police force in Germany, replacing its chiefs with his own people, and was able to authorise an emergency decree which justified the use of lethal force against communists and leftists more broadly, not to mention the Jews who were regularly subsumed under these categories whatever their political allegiances. Hitler was able to do this because it was the culmination of an ongoing life and death struggle enacted against the German working classes who posed a significant threat to the social order.

Within the first two months of his inauguration, Hitler had sent 25,000 social democrats, communists and liberals to internment camps. Within that same two month window, he had introduced a decree which allowed him to circumvent juries, and subject political opponents to military courts. In the same period the press was muzzled. *This is what Hitlerism really was*; the stark, violent process by which the democratic powers of the masses and any and every possibility of resistance is physically decapitated, without preamble, without hesitation – only the lethal sound of the swishing blade.

Now consider Trump's resume. After he

Why Fundamental Constitutional Principles Should Prevent Ontario from Interfering with Toronto's Election

By Craig Scott, Opinion, The Toronto Star, August 2, 2018

Ontario's Bill 5 will radically change Toronto City Council wards in the middle of an election already being run under an entirely different statutory framework.

However described – affront to democracy, arbitrariness, illegal executive interference that undermines current city election law – some assert there is no constitutional case to answer once the bill passes that reduces Toronto council from 47 to 25 seats.

Municipalities are subject to the exclusive legislative jurisdiction of provinces. They also enjoy no constitutional protection as an order of government. A provincial legislature can repeal or amend its own existing laws, including those on municipalities, as long they do so unambiguously.

An exception is that an existing statute can stipulate the "manner and form" by which it is amended (including repealed) by a subsequent statute. Such a manner-and-form constraint must be clearly stated. Even then, however, it can often be avoided if the constraint is itself overridden through a rare two-step legislative process.

While accurate, these propositions fail to contend with a development in Canadian constitutional law that started in 1996 when the Supreme Court of Canada (SCC) recognized "unwritten principles of the Constitution." Two principles articulated by the SCC were the principles of the rule of law and of democracy.

The SCC has never constitutionalized municipal democracy as such. Nor am I arguing it should. However, "democracy" as an unwritten principle operates in ways not limited to protecting constitutionalized orders of government. For example, the court noted the democracy principle included "faith in social and political institutions which enhance the participation of individuals and groups in society" and was "fundamentally connected to substantive goals, most importantly, the promotion of self-government." It is hard not to see mirrored in these values the vibrant world of local democracy.

As for the rule of law, the court emphasized it is a "highly textured expression, importing many things" that, "[a]t its most basic level…provides a shield for individuals from arbitrary state action." It is when such notions of the rule of law meet the principle of democracy that Bill 5 is potentially in trouble.

There is a good argument that the interacting principles of democracy and the rule of law have a free-standing constraining effect – operating as what the SCC called "substantive legal obligations [that] have 'full legal force'" – on the ability of a province to interfere in local elections that are currently underway.

If a court prefers not to go this far, it can at least embrace what the SCC called the "interpretive" and "gap-filling" roles of unwritten constitutional principles in order to determine that a "manner and form" constitutional constraint is triggered by certain provisions in the current *City of Toronto Act*.

It is important to note that the *City of Toronto Act* contains a primacy clause that makes the city's bylaws on council composition superior to other provincial law. Section 135(2) says that, in "a conflict with a provision of any other Act or a conflict with a regulation made under any other Act, the bylaw prevails." We sometimes refer to such clauses as quasi-constitutional in nature. The inclusion of such a clause signals that the Ontario legislature attached unusual importance to the composition provisions of the *City of Toronto Act*.

Employer Fined $900,000 and Jailed for Not Paying Up Owed Wages

Yuk Yee Ellen Pun of the Regal chain and the corporations she controlled were fined for failing to pay $457,443 in owed wages to former employees.

Section 135(4) then provides that "if the bylaw is passed in the year of a regular election before voting day," such "bylaw changing the composition of city council does not come into force until … after the second regular election following the passing of the bylaw" (i.e., not until 2022 in the current context).

In other words, we can read the current *City of Toronto Act* as containing a special kind of "manner and form" rule, the express purpose of which is to prevent amending council composition in the same year as an election.

The constitutional principles of the rule of law and democracy dovetail with other principles expressly stated in the *City of Toronto Act* itself, which are left intact by Bill 5 (including respect for local democracy and the duty of Ontario to consult on changes such as this).

Together, they encourage s. 135(4) to be read as constitutionally barring a new statute like Bill 5 from amending city council composition rules if the amendment is intended to affect an election in the same year as the amendment is enacted. Such a constitutional prohibition is all the stronger if the new law is introduced and enacted when an election is in full swing.

The already-underway Toronto election must only be run on the basis of the existing wards.

Craig Scott is Professor of Law at Osgoode Hall Law School of York University. He was formerly the Member of Parliament for Toronto-Danforth.

❧ ❧ ❧

Our Comment. Ontario's Bill 5 is a challenge to the "principles of the rule of law and of democracy" that should prompt a long overdue and an urgently needed review of the state of our "democracy." *Élan* first took office, his most racist and rabidly reactionary act of legislature was the attempt to introduce the notorious "Muslim travel ban," a ban which was in effect for several months, but was repeatedly blocked by Supreme Court judges before being repealed. In April of that first year Trump was unable to fill 85% of positions in the executive branch that he required in order to run the swift, decisive, and more authoritarian form of government he craved; one which was capable of acting uniformly and sidestepping bureaucracy. And the American media have not only *not* been stifled by Trump; rather they are perhaps more openly hostile to him than any other president in American history.

That Trump would like to run the presidency on fascist terms; that he would happily bridle the press, send dissenters *en masse* to prison; that his political ideology is riven with all sorts of fascist yearnings and aspirations is beyond question – but the more significant issue is whether there exists the objective set of material and social forces which could allow such ideological strands to reach fruition through the formation of a militarised fascist state. At this point in time, there simply does not.

But why is that important? Why is it important that we don't give the Trump administration the designation "fascist," given the boost his presidency has provided to fascist, far right tendencies within the American political landscape like the KKK, and the increasing mistreatment and brutalisation of immigrants and minorities which has come with it? Surely debating the finer details of the concept is to get bogged down in esoteric trivia, and miss the broader humanitarian point. To ignore the suffering of these people.

In fact, the issue of a correct definition of fascism is a vital one. If one abstracts the ideological components of fascism from the historical processes which create it, certain political implications inevitably follow. If you separate out fascism from its basis in class struggle, you come to create an ahistorical depiction which involves the following: on the one hand a demagogic, populist leader figure who espouses fascist ideology, and on the other, the ahistorical abstraction of something called "the people" to whom this figure appeals.

There is usually a tertiary element, some mediating factor – an economic crisis perhaps – and because of this, "the people," who are invariably poor, ill-educated and desperate, then buy into the spiel the wannabe dictator is selling. They attend his rallies, they hungrily hoover up his lies, they buy into the grotesque racism and rabid nationalism because they are poor and angry and resentful and stupid, and easily dazzled by the flashing colours of a fluttering flag.

Such a vision is middle-class liberal to its core. I am tempted to say it is Clintonite or Obama-esque. Many of Obama's and Clinton's most vocal supporters are nice, educated liberals who now spend a good deal of time wringing their hands in sorrow, lamenting the fact that the administration of the soft, well-spoken, liberal-intellectual Mr. Obama has been usurped by the vulgar fascism of the gaudy upstart, the belligerent, crass and supremely unlettered Mr. Trump. In their eyes, the Trump administration is fascist or quasi-fascist because it is more than just a more reactionary administration; it represents a political dark age, the period by which the respectable, rational, reasonable and professional guardians of the liberal status quo have been vanquished by the forces of a more atavistic and sinister primitivism.

And why, why has this happened? Because the people at the bottom have not been properly educated; they have not been sufficiently "taught" about "injustices" and it is this which led "to the embrace of a populist demagogue," to "a fascist's win" and "America's moral loss." The good, venerable liberals "warned," of course, they even "begged," but the teeming masses are a volatile, emotive and combustible bunch, the mob when roused rarely tends to respond to the laments and pleas of their educated betters; the humane, middle classes who are most equipped to act in the people's best interests.

It is remarkable how closely Obama himself cleaves to such a narrative. Responding to Trump's victory, without a hint of irony or introspection, Obama wistfully opined: "Maybe we pushed too far.… Maybe people just want to fall back into their tribe." You get what happened right? Trump got in because the ill-educated masses couldn't appreciate the wisdom, the universalism, the sheer humanity of the Obama-liberal project, and just wanted to sink back into a Hobbesian *bellum omnium contra omnes* of localised tribal impulses and antagonisms. The fascist urge was simply too strong to resist. When one of his aides assures the ex-president that, had he been allowed to run against Trump he would have won a third term, Obama demurs because he again feels that the masses are too dim-witted to appreciate his splendorous forward thinking: "Sometimes I wonder whether I was 10 or 20 years too early."

Of course, the more cynical among us might want to point out that there was another factor which reduced the Democratic vote in the 2016 election, specifically the 8 years of the Obama presidency which preceded it. The years of military strikes in one country after the next: Afghanistan, Iraq, Syria, Libya, Yemen, Somalia and Pakistan. In fact Obama launched ten times more air strikes in comparison with the George W Bush presidency which came before. Obama presided over a further militarisation of a police force which saw the slaying of unarmed blacks spike. And, on the question of immigration, Obama deported more people than all the other presidents combined. Trump's policy of separating out children from their parents was introduced on the June 4, 2018, and it marked a more reactionary development, for sure, but one which was in keeping with the punitive cruelty of the Democratic immigration policy which had gone before – it simply represented an enhancement of it. During Obama's administration children were also kept caged in holding pens in immigration camps. Accounts of their physical, mental and sexual abuse were rife. Only these things received nothing like the same kind of media coverage.

Clinton lost to Trump, not because millions of poor people were mobilized by a fascist message; but because millions of poor people didn't turn out to vote; they understood that Obama was a friend of war, a guardian of Wall Street, and a keeper of the neoliberal status quo. They didn't require more of the same in Clinton. But the actual facts of Obama's presidency are increasingly drowned out by the howls of "fascist" which are hurled at Donald Trump week by week, month by month. This is nothing new, incidentally. Every single thoroughly reactionary Republican president of the past fifty years has had this charge levelled at

About Our Commenters

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.

Herb Wiseman is a long-time member of COMER. He is a highly knowledgable and experienced political activist with a life-long interest in matters of political economy.

them: Nixon, Reagan, both Bushes and now Trump. They were all fascists in their day.

But in allocating to an administration the label fascist – even if it is headed by a person with clear fascist ideological tendencies – we run the risk of underestimating not only the everyday run-of-the-mill racist and war mongering policies enacted by the "respectable" parties of the parliamentary mainstream; we also fail to comprehend the symbiotic connection which opens up between the period of Obama and the time of Trump. Trump's regime is, for the most part, more reactionary, and more overtly and rabidly racist than the Obama administration ever was; this cannot be denied. Trump's accession marks a truly awful period in American politics.

But it reached its fruition precisely because the Obama administration had exhausted its facile promises of hope and change in the flames of international war and the unrelenting economic oppression of the poorer layers of the domestic population. It is the continuation of such politics by more extreme means, with the ideological veneer of progressivism set aside, born from the thickening disillusionment of the poorer layers in a decaying political system and their increasing lack of interest in the

Some Rare Good Climate News: The Fossil Fuel Industry Is Weaker Than Ever

By Bill McKibben, Grist, June 24, 2018

From Wall Street to the pope, many increasingly see fossil fuels as anything but a sure bet. That gives us reason to hope.

If you're looking for good news on the climate front, don't look to the Antarctic. Last week's spate of studies documenting that its melt rates had tripled is precisely the kind of data that underscores the almost impossible urgency of the moment.

And don't look to Washington, DC, where the unlikely survival of the EPA administrator, Scott Pruitt, continues to prove the political power of the fossil fuel industry. It's as if he's on a reality show where the premise is to see how much petty corruption one man can get away with.

But from somewhat less likely quarters, there's been reason this month for hope – reason, at least, to think that the basic trajectory of the world away from coal and gas and oil is firmly under way.

At the Vatican, the pope faced down a conference full of oil industry executives – the basic argument that fossil fuel reserves must be kept underground has apparently percolated to the top of the world's biggest organization.

And from Wall Street came welcome word that market perceptions haven't really changed: even in the age of Trump, the fossil fuel industry has gone from the world's surest bet to an increasingly challenged enterprise. Researchers at the Institute for Energy Economics and Financial Analysis minced no words: "In the past several years, oil industry financial statements have revealed significant signs of strain: Profits have dropped, cash flow is down, balance sheets are deteriorating and capital spending is falling. The stock market has recognized the sector's overall weakness, punishing oil and gas shares over the past five years even as the market as a whole has soared."

The IEEFA report labelled the industry "weaker than it has been in decades" and laid out its basic frailties, the first of which is paradoxical. Fracking has produced a sudden surge of gas and oil into the market, lowering prices – which means many older investments (Canada's tar sands, for instance) no longer make economic sense. Fossil fuel has been transformed into a pure commodity business, and since the margins on fracking are narrow at best, its financial performance has been woeful. The IEEFA describes investors as "shell-shocked" by poor returns.

The second weakness is more obvious: the sudden rise of a competitor that seems able to deliver the same product – energy – with cheaper, cleaner, better technologies. Tesla, sure – but Volkswagen, having come clean about the dirtiness of diesel, is going to spend $84bn on electric drivetrains. China seems bent on converting its entire bus fleet to electric power. Every week seems to bring a new record-low price for clean energy: the most recent being a Nevada solar plant clocking in at 2.3 cents per kilowatt hour, even with Trump's tariffs on Chinese panels.

And the third problem for the fossil fuel industry? According to IEEFA, that would be the climate movement – a material financial risk to oil and gas companies. "In addition to traditional lobbying and direct-action campaigns, climate activists have joined with an increasingly diverse set of allies – particularly the indigenous-rights movement – to put financial pressure on oil and gas companies through divestment campaigns, corporate accountability efforts, and targeting of banks and financial institutions. These campaigns threaten not only to undercut financing for particular projects, but also to raise financing costs for oil and gas companies across the board."

Hey, the movement against Kinder Morgan's pipeline got so big, the Canadian government had to literally buy the thing in order to try and ram it through. Protesters will die, a former Bank of Canada governor predicted this week – though he added the country will have to muster the "fortitude" to kill them and get the pipeline built.

For activists, the best part of the IEEFA report is a series of recommendations for precisely how to hurt the industry the most, from creating delays that "turn a marginal project into a cancelled one" to "strategic litigation" to "changing the narrative."

The report's authors write: "The financial world is just beginning to understand the fundamental weakness of the fossil fuel sector, and barely acknowledges the global climate movement's growing power and reach. This has created a powerful opportunity to develop and foster a new storyline on Wall Street: that the oil and gas industry is an unstable financial partner just as it faces its greatest test."

That's work we're capable of. If a few years of campaigning is enough to convince the pope we need to keep fossil fuels in the ground, a few more quarters might finally persuade the suits that there's more money to be made elsewhere. But speed is clearly of the essence. If massive losses of money loom over Wall Street, massive losses of polar ice loom over us all.

Our Comment

I lived in Canada's High Arctic for two years. Pictures of massive ice chunks sliding into the sea there, leave me awed, angry, and sick at heart!

The most encouraging development is the hard evidence that there are alternatives, for as long as coal, gas, and oil remain a highly lucrative enterprise, the profit motive may well continue to determine policy decisions.

Élan

ballot box (for very good reason). It has the features of ineptitude and corruption which are the product of such a development.

But is not a fascist administration. It does not mark a qualitative break in what has come before. The latest farrago involving immigrant children is unutterably awful, but its closest parallel in US history – if not the immigration policies of Obama himself – might be something like the locking up of the families of Japanese Americans in WW2. That policy was carried out by the Democratic Party headed by Roosevelt. The same party which, by the way, supported slavery, used nuclear weapons against Japanese cities and escalated the war in Vietnam to a shrieking crescendo.

In describing the Trump administration as fascist we subscribe to a liberal logic which separates out the material realities of fascism from its ideological expression. This helps whitewash the reality of the Democratic Party as a party of war and the financial elite, and instead recasts it in the type of morality play where the beleaguered and high minded liberals like Obama and Clinton become the last bastions of reason and humanity against an ever encroaching darkness – only their tragic struggle against barbarism is doomed to founder on the rocks of the prejudices and the whims of an easily excitable and unsophisticated mob. It is a vision which combines hatred of the lower classes with a drooling sycophancy toward the elite. As tragedy goes, it is more *Vanity Fair* then Shakespeare.

Don't buy into it.

Our Comment

Perhaps the comment most pertinent for Canadians in this article is that "Hitler did not begin with the Final Solution, he worked his way up to it, and all it took was good people not to act."

While "clear affinities with fascist thought" may prompt memes identifying Trump as a fascist, Tony McKenna takes us to a deeper and an invaluable level of analysis.

"Fascism is about more than just ideology." If we are not to fall prey to the *lure* of fascist rhetoric, we must understand what makes it so appealing.

The recognition that "fascism is about more than just ideology," shifts our attention to the need to understand what it is that gives rise to fascism, that we may successfully deal with it.

Michael Hudson, in *Finance Capitalism and Its Discontents*, points out that we are facing a class war – that "it has always been a class war."

When, in Germany, and in Italy, for example, conditions became unbearable, and the working class mobilized to challenge the system, counter revolution, thanks to superior military force, and the support of the ruling elite, saved it.

During the last few decades, McKenna argues, discontent has been more easily controlled, through the successful development of "oligarchic democracy." But we are living through a critical moment in history that is, for many reasons, shattering the illusion of democracy for which most of us have settled.

Will the next, inevitable financial crisis so stir the level of discontent that we will be forced to mobilize – out of desperation – against the defenders of a failed political economy?

Will the situation be successfully controlled by the "use of lethal force," justified by a "significant threat to the social order"?

Are the limitations cited in "Trump's resume" insuperable? Could his supporters and the next financial crisis work to his advantage?

What will it take to reinforce the opposition to Trump's "fascist yearnings and aspirations"?

The point that we should not designate Trump's administration "fascist," takes me back to the comment that "Hitler did not begin with the Final Solution." Should we wait until "there exists the objective set of material and social forces which could allow such ideological strands to reach fruition" before we identify fascism through a definition that links "the ideological component" with the historical processes which created it? The warning against "underestimating…the everyday run-of-the-mill racist and warmongering policies enacted by the 'respectable' parties of the parliamentary mainstream," exposes the "symbiotic connection" whose normally hidden existence contributes to the confusion of real democracy with the practice of voting for the lesser evil between two competing strings of the same team.

Isn't the difference between the Obama administration and the Trump administration one of degree and "style"? As McKenna makes clear, Trump's clumsier, more obvious machinations help the establishment to better survive Obama's "facile promises of hope and change," making the Democratic Party *seem* the lesser evil in the next election!

Élan

The Carbon Bubble: Here Come the New Dirty Thirties

By Crawford Kilian, TheTyee.ca, June 13, 2018

The ugly end days of fossil fuel will mean big trouble for Canadians.

Huge job losses, slashed public services and a government in crisis. Without quick action, Canada faces the kind of disastrous economic and social collapse not seen since the Great Depression. Photo by Dorothea Lange, from US Library of Congress.

Mitchell Anderson recently discussed a new report on the coming implosion of the world oil industry, with a loss to the global economy of between $1 trillion and $4 trillion. It's a disturbing study, and as he observes, Canada is likely to suffer more than any other petroleum-exporting country – even including the OPEC nations. Just how we'll suffer deserves closer attention.

The report in Nature Climate Change, whose lead author is Jean-François Mercure of Radboud University in the Netherlands, uses several models to track oil production to 2035 and 2050. Some models assume we will work hard to keep global warming to a two-degree rise or less by moving to renewable energy and cutting back on fossil fuels; others assume we won't, and will keep burning oil and gas despite rising temperatures.

All the models end up with a "sellout" by 2035 or earlier, in which oil-producing nations put on history's greatest bargain sale, dropping oil prices as low as possible just to get it out of the ground before demand falls to zero. After all, as Prime Minister Justin Trudeau observed not long ago, "No country would find 173 billion barrels of oil in the ground and leave them there." Least of all when all those barrels would soon be "stranded" in the ground and $1 trillion to $4 trillion vanishes from the global economy.

Once the sellout was truly under way, what would happen?

If the 2008 Great Recession is any guide, governments would first borrow heavily to keep things going, and then switch to austerity. Employment in general, and social service employment in particular, would suffer. Recovery and development of new energy sources would be difficult: solar-power engineers might not want to move to depressed communities with substandard schools and health care.

The energy-exporting US would also take an economic beating, Mercure estimates, with production losses across all sectors of about 4.6 to 5.7 percent by 2035. Extraction-sector production would fall by around 50 percent. So we couldn't trade our way to recovery by selling oil and gas (or much else) to the Americans.

Mercure predicts China, as a net energy importer, would benefit from falling oil and gas prices. Meanwhile, its ever-increasing renewable energy investments would help the Chinese economy come out about even (and a little better than India's). The European Union will also enjoy the combined benefits of cheaper Russian fossil fuels and early adoption of renewable energy. The Europeans should even come out with a small increase in public services.

The Hardest Hit of All

Russia's reliance on oil and gas exports (especially to the EU) will hurt its overall economy as prices fall, especially extraction sectors and utilities, but it will emerge with a 2.3-percent drop in production and 1.3-percent drop in employment, while Canada's production drops 16.1 percent and our employment drops nine percent. Mercure's estimates suggest that we will indeed take the hardest hit of all.

The sellout would probably look like a far bigger version of the 2014 Saudi attempt to grow market share by overproducing its already cheap oil and driving down world prices. That sent Alberta into its latest bust and made Premier Rachel Notley grimly determined to get her bitumen to tidewater.

In a full-scale sellout, though, bitumen won't be worth selling. Routine stock-market corrections usually stop as bargain hunters flood into the market. But when a bubble bursts, the bargain hunters wait and wait, forcing prices ever lower.

Prices will fall because the price of renewable energy will be brutally competitive. Even if Tesla goes the way of the Bricklin, Tesla-style battery technology will only improve, as will solar, geothermal, biomass and wind power. The Saudis are about to build the world's largest solar power installation. It's going to cost $200 billion, paid for out of current oil revenues. The Saudis will have to sell a lot more oil at lower prices while they can to complete their transition to renewable.

The Mercure report includes some supplementary material that estimates the consequences of stranded fossil fuel assets for various regions and countries, and Canada does not fare well. By 2035, Mercure predicts, the US extraction sector (including oil and gas) will produce 50 percent less than it does today, while losing 16 percent of its workers. Our own extraction sector's production of oil and gas will fall by 81 percent, and the sector will lose 74 percent of its workers.

Consequences for Alberta

Let's see how that applies to Alberta. Its extraction-sector workforce in 2017 was 140,300, with some in mining and quarrying as well as in oil and gas. The loss of perhaps 100,000 of those extractive workers will mean far less revenue from income taxes and royalties to pay for health and education.

So Mercure has grim forecasts for those occupations as well based on the plunging government revenues. Alberta in 2017 had 274,100 people working in health care and social assistance. A 20.3-percent cut in staff would take approximately 54,820 of them off the payroll. Education services accounted for 153,100 jobs; in the course of a sellout, 30,620 teachers and support staff would be out of work. Other sectors wouldn't be hit quite as hard: Alberta would lose 24,000 construction workers (10.6 percent) and 12,297 in business services (15.2 percent).

These numbers are based on Mercure's prediction of average national losses; Alberta might suffer more or less in a given sector than Canada as a whole. And it wouldn't suffer alone. On average, we in BC would also likely lose a fifth of our teachers and a tenth of our construction workers. If a sellout occurred this year, and Canada-wide employment fell by 9.4 percent from its March 2018 total of 18.6 million, that would mean 1,748,870 Canadians out of work.

Fighting All the Way

And all across Canada, workers wouldn't leave their jobs without fighting all the way – from the legislature to the workplace to the street. Political turmoil would erupt on a scale unmatched since the Winnipeg General Strike of 1919. Whoever is prime minister in the 21st century's Dirty Thirties will have a really unenviable job; expect rapid turnover in governments.

Bear in mind that our domestic woes will be like those of many other rich countries, only worse. Migrants and refugees will still find Canada a better option than staying home. Wars, revolutions and climate-driven disasters will make demands on us we won't feel able to respond to. Poverty at home will trigger new problems in public health, just as it has in Venezuela.

Mercure's forecast is unlikely to be the first; governments and fossil fuel corporations alike have probably commissioned reports with similar conclusions. With such politically ugly implications, it's understandable that such reports have not been publicized, let alone acted upon.

But a wise government would break the news to its people, commission still more studies, and commit to acting on them: cutting losses in fossil fuels, subsidizing renewable energy companies, and promoting research in the field that might give Canada a chance to catch up with other transitioning countries.

And if we ignore Mercure's warning, we will learn our lesson anyway, with a tuition fee of up to $4 trillion.

Crawford Kilian is a contributing editor of The Tyee.

Our Comment

A wise electorate would strive to elect a wise government and demand policies like those outlined and justified in Crawford Kilian's article. However, an ill-informed electorate – however wise – cannot compete against today's corporate power and antediluvian, first-past-the-post electoral system.

The pipeline policy of the present government would suggest that perhaps it is more fossilized than wise.

The Mercure study's solid information and its clear presentation is just the sort of instruction we need to become a wise electorate and to effectively champion imperative change.

Hopefully, we'll share such data as this study provides, as widely as we can, as soon as we can, and work together to escape the familiar pattern whereby those with the power to dictate outworn policies in what *they* see as their vested interest, maximize the risk therein, then run off with "benefits," leaving the rest of us to deal with the ultimate cost.

Élan

Toronto Deserves Its Independence

By Royson James, Toronto Star Columnist, September 21, 2018

Free Toronto!

It's time for a tenacious, unwavering movement that demands the province of Ontario take its jackboots off Toronto's neck.

Wrap it in concepts like "city charter" or "independence," if you wish. Or draft a manifesto for the province of Toronto. Embrace the frightening word "secede." Don't be afraid of the label "separatist."

And don't be deterred by Pharaoh and his armies; neither the Uncle Toms within, nor the naysayers grown accustomed to and benefiting from the servitude.

The cause is just and right. How is possible that one man – the premier – can get up one morning and decide he doesn't like the people who you've elected to run your city, disrupt an election that has already started, and do it without any limitations from anyone or any institution? How is it defensible that this one man could, if he chooses, wipe out your entire city council, abolish the mayor's office and take control of your city?

How is it possible that he can do so – proudly mendacious, defending his slapdash recklessness with demonstrable false claims that his sycophants repeat without public scorn and shame – and all you can do is protest, without judicial or legal recourse? Such is Toronto's reality, as evidenced by the scurrilous, disrespectful, anti-democratic and, apparently, legal interruptions of one Premier Doug Ford.

Toronto can't make a move without Queen's Park's permission. It's gone on for more than a century now. At some point, enough is enough. Now is as good a time as any to fight back.

Over three decades covering municipal politics – always to the rhythm of provincial hegemony – the record shows cities are creatures of the province. It's like being born into servitude. Minus the physical and psychological torture, it echoes the practice of chattel slavery, on a plantation owned by a benevolent Massa, who, whenever he chooses, can inflict horrors.

Rhetoric aside, the municipal servitude is real. And the psychological reflex towards acceptance of the condition is as binding and debilitating as being in perennial shackles, to the point that the oppressed and subjugated fail to even recognize the fetters clamped around their necks.

"Emancipate yourselves from mental slavery, none but ourselves can free our minds," the great Marcus Mosiah Garvey once said, and Bob Marley sang.

It is possible that this is Toronto's destiny and calling – to free cities from the constitutional shackles that bind them to the dictates of the provinces.

This is not a cause for the weak or the impatient or the easily discouraged. Emancipation just might take several lifetimes. But start.

Don't expect solace from the mayor, or anyone seeking to replace the mayor, in next month's despoiled election. Co-opted and corrupted by the singularly undemocratic governance model that creates the current debacle, these timorous leaders can be counted on to maintain the status quo.

Sometimes, like now, when the enemy is so clearly exposed in its legally buttressed malevolence, the pushback requires a jangling discordant wail from the aggrieved.

Other times – in polite company or infused in bedtime stories – the message might have to be more subversive, though resolutely unyielding.

Before the courts of the land, the drumbeat must rise to a crescendo until "activist" judges on this file are not the exception but the rule.

In the council chambers and committee rooms, the case can be relentlessly argued until the narrative is repeated as easily as a nursery rhyme.

Drake and other rappers and musicians might splice the "Free 6IX" message in lyrics and verse; sitcoms and drama episodes know how to explore the theme.

Like "Diversity Our Strength," it should inform and reflect and become part of our expectation and desire and aspiration, until it is a cultural and civic mantra.

A good start would be one or two bold enough to run a mayoral campaign on a "Free Toronto" platform. The Green party was a gleam in someone's eyes until the movement gained enough stature to elect its leader to the Ontario legislature.

But don't expect to be embraced and applauded by the masses. This is not a popularity contest. Neighbours who are normally reasonable and wise lose all sense of decency when the matter is politics. Don't you remember your progressive friend who was quick to find excuse for the bad behaviour of Bill Clinton when he was caught with his pants down? Why, then, be surprised that Republicans would adopt a "see no evil" stance with Donald Trump?

NAFTA *from page 1*

bilateral trade agreements with the United States. This forum and its rules have served Canada well over the years. Canada's access to the US market and record of solving disputes has been far better under the WTO than under the FTA or NAFTA, and Canada was able to protect its institutions and pass its own sovereign laws in a way it has not been able to under our two so-called free trade agreements.

If NAFTA comes to an end our trade with the US would continue to flow exactly as it did for years before the FTA and NAFTA existed. And our country would be free of the NAFTA provision which allows US corporations to sue Canadian governments for laws and regulations they do not like. (NAFTA gone, Canada would need to confront the fact that the FTA with its sovereignty-destroying commitments needs to be abrogated.) But for some of our politicians and opinion leaders, the prospect of Canada standing on its own two feet economically and politically is too much handle, almost unthinkable, and therefore the pleading and begging to retain NAFTA will continue.

David Orchard was twice a contender for the leadership of the Progressive Conservative Party of Canada. He is the author of The Fight For Canada: Four Centuries of Resistance to American Expansionism.

Marjaleena Repo was national organizer for Citizens Concerned About Free Trade from 1985 till 1998, campaign manager and senior advisor for David Orchard's leadership campaigns, and the Saskatchewan vice-president for the Progressive Conservative Party of Canada until its take-over in 2003 by the Reform Alliance Party.

❧ ❧ ❧

Our Comment. I remember that one of the Americans involved in the negotiation of NAFTA, afterwards crowed that Canadians had no idea of what they had conceded.
Élan

Don't you recall how otherwise smart friends were willing to find excuses for Rob Ford and argue that city council should not suspend his powers – even as Rob Ford himself told council: Y'know what, if I were in our position I would censure me as well. After all, I was in a drunken stupor more days than I can remember.

How many times can you count when the newspaper you love is seen cheerleading bad behaviour of government – including the use of the notwithstanding clause by the current Doug Ford government, in an unholy race to downsize the city government?

The road to a Free Toronto will be long and hard and complicated and controversial. But many decades hence, even its opponents will seek to take credit for its final outcomes. Other cities – less adventuresome and more psychologically damaged and frozen by years of servitude – will rise up and call you blessed.

Finally, don't be sidetracked by panaceas like the *City of Toronto Act*, approved by the Ontario government in 2007. That tiny first step gave very little, but managed to stop real, lasting reform.

Imagine this. Twenty years ago, the Ontario government amalgamated six municipalities in Toronto, cutting the number of councillors in half and dumping many of its costs on the new megacity. Now, it is cutting the number of councillors in half again. And we await the real reason for the action, not the false reasons proffered so far.

Our mayor timidly accepts his fate, as a supplicant being careful not to further anger the Massa.

Someone more vexed by the province's actions would be diligently seeking ways to resist. Civil disobedience. Motions that declare the Tory caucus personae non gratae at Toronto city hall. How about shutting off the power to Queen's Park on the 5th of each month – for 31 minutes – in memoriam of Bill 5 and Bill 31. Reason? Unscheduled, unspecified maintenance.

Notwithstanding what the city lawyers advise, think of the mischief one could conjure. In protest.

Free Toronto.

Royson James is a former Star reporter and freelance columnist based in Toronto. Follow him on Twitter @roysonjames.

Our Comment

This is an excellent, provocative call to action! More importantly, by calling attention to an immediate, particular problem and recommending a specific solution, it compels us to face the urgent need to deal with the more general, basic problem of unbridled power.

"Servitude and the exploitation that it allows is going on at *every* level of government, in keeping with the global exercise of neoliberal power.

We are a nation state with various levels of government. That is as it *needs* to be. However, powers at each level must be clearly defined, and where they obstruct real democracy they must be altered or become history.

The underlying operating principle of democratic governance, since it must ultimately work in the best interest of *all* members of society, should be *cooperation*.

The extraordinary example of Doug Ford's autocratic, exultant, flaunting of power is a wakeup call!

Given that we are living through so critical a moment, I'm not confident that we have "several lifetimes" to achieve "emancipation." Is "taking our dolls and dishes and going home" really an option? Even if it were, would splintering the nation guarantee a more democratic polity?

Canada, as a nation state has several levels of government – *all* under the heel of the same global power – *all* looking to unload onto the layer below, the limitations imposed from above. Shredding the nation state would, in fact, play into the hands of the corporate power out to *weaken* and *undermine* the nation state, in pursuit of total, global hegemony.

Today's solutions must take into account the complexity of modern social organization and provide a *comprehensive* approach. We can't afford to go on just scratching where it itches – we've got to get to the root cause and *deal* with it. Otherwise, we are easy prey to the tactic of *divide* and *conquer*.

Today, as never before, democracy can't come piecemeal. It has to be *systemic* – not hit-and-miss!

There is an imperative and immediate need to design a *truly* democratic system that will reflect fundamental, democratic principles in an *all* of its characteristics, at *every* level of government. There is an encouraging outpouring of ideas around that project. *It is going on!*

We mustn't blame the victims! Attributing the lack of support from the masses to the "loss of a sense of decency" or ruptured intelligence underestimates the problem. This brings into focus what should be our greatest concern – the fact that a candidate like Doug Ford could garner such support! Ford is not the *problem*. He is a *symptom*.

The root cause of bad government and stunted democracies is society's failure to prepare the electorate to function effectively in a democracy.

How can we better equip the electorate to endorse and maintain a truly democratic society?

We can take some cues from those in power. Those in power *depend* on apathy and ignorance, to stay in power. They promote these characteristics in multifarious ways – control of the education system (chiefly through underfunding), ownership of the media….

I was once driven to think, by my Grade 9 English teacher, Miss Isobel Thomas, when she commented, that, while one certainly had the right to one's own opinion, that opinion wasn't worth much unless it was an *informed* opinion.

"Thus, in 1973, the Trilateral Commission was founded by David Rockefeller,

Knowledge Is the Cure for Our Municipal Chaos

By Shawn Micallef, Toronto

I don't blame you if you've tuned out city politics and given up on trying to understand the political roller-coaster we've been on in Toronto.

Since the dog days of summer, when the provincial government announced plans to cut the number of Toronto's city councillors in half, I've bumped into people from a variety of backgrounds who have thoughts on the size of the city's municipal government.

A fair number of them held an opinion somewhere on the spectrum between "that's no big deal" and "yeah, Toronto probably has too many councillors." Both sentiments could very well be true, but when I've asked them if they've ever been to a council meeting or watched one, most had not. Without any personal knowledge of city hall, the "dysfunction" and "gridlock" talking points stuck with them.

Many people see city council in passing, perhaps catching a particularly yelly interaction on the council floor, or bit of councillor grandstanding or perhaps yet another clip of Toronto's endless transit debate that has been going on for, let me see, 184 years now.

All of this can be frustrating. But without knowing what goes on at city hall beyond those few snippets, it's easy to fill the void with misinformation, allowing cynicism to grow. Make no mistake: one person's cynicism is another's political opportunity.

Everyone's had a time when they've been frustrated with the city. It could be a pothole not being filled, a long wait for the bus, or difficulty signing up for a parks and recreation program. Whatever it is, when somebody says the city is dysfunctional, we've each got a built-in emotional trigger that's caressed. What keeps that trigger from being pulled all the way, of wanting to burn it all down, is an understanding of how the system works.

Few of us, however, have the time to follow all of what our three levels of government do, day to day. Work, families and just getting by can fill up a day and then some. Unless you're a political junkie, where following along is a hobby, it's work to get an accurate picture of what city hall does.

Even if halving the number of councillors is a good idea, there was no local process followed in coming to this decision, unlike the change from 44 to 47 wards that was supposed to occur this fall. That had years of study and public consultation, but it doesn't matter when cynicism rules the day. We should all be open to entertaining arguments for reforming and tweaking any level of government, but it absolutely must come from a place of knowledge. That's where civics comes in.

Right now, Ontario's high school curriculum only mandates a two-month, half-credit civics course, not nearly enough time to impart a lifelong grasp of government and politics. I teach a first year municipal civics course at the University of Toronto and even with the luxury of eight months, we only scratch the surface of the complexity of it all.

Indeed, it's my job to understand the city but I often have to research or ask about city hall particulars. It's maddeningly complex sometimes, but it's complex, in part, because each of us, and our various needs, makes it complex. Trying to fully understand it will be a lifelong education for me.

With a basic understanding of how it works, a fact-based foundation is created to centre our own decisions on, and we'll more instinctively know what's right and wrong. At an early age, we are imprinted with an understanding of how the world works, and kids can grasp complex sports and video games. If we started teaching civics earlier, just as students are beginning to engage with the wider world in early primary school, and sustain it throughout their education, a solid foundation will be laid.

The political roller-coaster we've been on is dizzying. I have to keep reminding myself that the rules and playing field of a democratic election, in Canada, were changed midway through. I further have to remind myself that the provincial government was willing to use the "notwithstanding" clause to suspend some of our Charter rights in order to push through what it wanted. Toronto was thrown into chaos, but it's all perfectly legal under an antiquated system that places Canadian cities under the total control of their respective provincial governments.

A cure for chaos is knowledge. In trying to think beyond this, of how to not let this happen again, I keep coming back to civics. Let's advocate for a robust program of civics, starting young, and continuing throughout public education.

This should be in everyone's interest, regardless of political affiliation. If there is resistance to teaching civics, ask why having a clear understanding of how government works and what it does isn't in the public interest.

Shawn Micallef is a Toronto-based writer and a freelance contributor for the Star. Follow him on Twitter @shawnmicallef.

Our Comment

Today, while I believe everyone must have the right to vote, I recognize the vulnerability of a society that confuses the right to think what you like and vote accordingly, with "democracy."

A pedagogy that capitalizes on kids' abilities "to grasp complex sports and video games" could make learning civics something other than drudgery – and getting to our young is of paramount importance.

If the *need* to follow Shawn Micallef's recommendation is not apparent, one's need for knowledge must begin by probing into why some people are so concerned about "how government works."

Perhaps a good start would be to visit Twitter @shawnmicallef.

Élan

Chase Manhattan Bank chairman…and other like-minded 'eminent private citizens'…. The commission's purpose is to engineer an enduring partnership among the ruling classes of North America, Western Europe, and Japan – hence the term 'Trilateral' – in order to safeguard the interests of Western capitalism in an explosive world." (*Trilateralism: The Trilateral Commission and Elite Planning For World Management,* ed. Holly Sklar.)

The Trilateralists commissioned a study on the "crisis of democracy." Two of the conclusions from that study were that we suffered from something called "excess democracy," and that we already had too many well educated people.

A democratic society that does not stress responsibility through participation, that doesn't encourage a spirit of challenging enquiry, that doesn't train citizens in the skills appropriate to those practices, is neglecting its duty to prepare citizens to function in and maintain a democracy.

That "one person's cynicism is another's political opportunity," has not gone unnoticed by successful politicians during the past few neoliberal decades.

Unmet needs and punitive austerity have stimulated both general discontent and apathy and a rising level of disdain for government, and have culminated in an alarming acceptance of undemocratic policies, and rendered ill-informed citizens easy prey to desperate hope and dubious promises.

Modern technology has implications for the way we educate today's youth. Their ability "to grasp complex sports and video games" suggests pedagogical opportunities that educators could employ to render learning more accessible and effective.

Archaic laws that impede democracy must be altered or abandoned. New problems like environmental destruction, demand laws that will preserve and protect life – not "free-trade" provisions that assure the opposite.

Laws are man-made. The process is political. Electoral reform will be an integral part of moving into a democratic 21st century.

This is no time to opt out! Nor can we succeed through sporadic, simple resistance. Achieving real democracy is going to require a united massive movement for fundamental change. That's not going to happen until we come up with an alternative to the neoliberal model that has dominated the past few decades, and an effective plan to install it.

Élan

Top Institutions and Economists Now Say Globalization Increases Inequality

By Washington's Blog, Global Research, August 21, 2017

World Bank, IMF, BIS, NBER, McKinsey now admit that globalization increases inequality.

We've all heard that globalization lifts all boats and increases our prosperity.

But mainstream economists and organizations are now starting to say that globalization increases inequality.

The National Bureau of Economic Research – the largest economics research organization in the United States, with many Nobel economists and Chairmen of the Council of Economic Advisers as members – published, a report in May finding: recent globalization trends have increased US inequality by disproportionately raising top incomes.

❧ ❧ ❧

Rising import competition has adversely affected manufacturing employment, led firms to upgrade their production and caused labor earnings to fall.

NBER explains that globalization allows executives to gain the system to their advantage:

This paper examines the role of globalization in the rapid increase in top incomes. Using a comprehensive data set of thousands of executives at US firms from 1993-2013, we find that exports, along with technology and firm size, have contributed to rising executive compensation. Isolating changes in exports that are unrelated to the executive's talent and actions, we show that globalization has affected executive pay not only through market channels but also through non-market channels. Furthermore, exogenous export shocks raise executive compensation mostly through bonus payments in poor-governance settings, in line with the hypothesis that globalization has enhanced the executive's rent capture opportunities. Overall, these results indicate that globalization has played a more central role in the rapid growth of executive compensation and US inequality than previously thought, and that rent capture is an important part of this story.

A World Bank document says globalization "may have led to rising wage inequality." It notes:

Recent evidence for the US suggests that adjustment costs for those employed in sectors exposed to import competition from China are much higher than previously thought.

❧ ❧ ❧

Trade may have contributed to rising inequality in high income economies….

The World Bank also cites Nobel prize-winning economist Eric Maskin's view that globalization increases inequality because it increases the mismatch between the skills of different workers.

A report by the International Monetary Fund notes: "High trade and financial flows between countries, partly enabled by technological advances, are commonly cited as driving income inequality…. In advanced economies, the ability of firms to adopt laborsaving technologies and offshoring has been cited as an important driver of the decline in manufacturing and rising skill premium (Feenstra and Hanson 1996, 1999, 2003)…."

❧ ❧ ❧

Increased financial flows, particularly foreign direct investment (FDI) and portfolio flows have been shown to increase income inequality in both advanced and emerging market economies (Freeman 2010). One potential explanation is the concentration of foreign assets and liabilities in relatively higher skill- and technology-intensive sectors, which pushes up the demand for and wages of higher skilled workers. In addition, FDI could induce skill-specific technological change, be associated with skill-specific wage bargaining, and result in more training for skilled than unskilled workers (Willem te Velde, 2003). Moreover, low-skill, outward FDI from advanced economies may in effect be relatively high-skilled, inward FDI in developing economies (Figini and Görg, 2011), thus exacerbating the demand for high-skilled workers in recipient countries. Financial deregulation and globalization have also been cited as factors underlying the increase in financial wealth, relative skill intensity, and wages in the finance industry, one of the fastest growing sectors in advanced economies (Phillipon and Reshef, 2012; Furceri and Loungani, 2013).

The Bank of International Settlements – the "Central Banks' Central Bank" – also notes that globalization isn't all peaches and cream. The Financial Times explains :

A trio of recent papers by top officials from the Bank for International Settlements goes further, however, arguing that financial globalisation itself makes booms and busts far more frequent and destabilising than they otherwise would be.

McKinsey & Company notes: "Even as globalization has narrowed inequality among countries, it has aggravated income inequality within them."

The Economist points out: "Most economists have been blindsided by the backlash [against globalization]. A few saw it coming. It is worth studying their reasoning…."

❧ ❧ ❧

Branko Milanovic of the City University of New York believes such costs perpetuate a cycle of globalisation. He argues that periods of global integration and technological progress generate rising inequality….

Supporters of economic integration underestimated the risks…that big slices of society would feel left behind….

The New York Times reported: "Were the experts wrong about the benefits of trade for the American economy?"

❧ ❧ ❧

Voters' anger and frustration, driven in part by relentless globalization and technological change [has made Trump and Sanders popular, and] is already having a big impact on America's future, shaking a once-solid consensus that freer trade is, necessarily, a good thing.

"The economic populism of the presidential campaign has forced the recognition that expanded trade is a double-edged sword," wrote Jared Bernstein, former economic adviser to Vice President Joseph R. Biden Jr.

What seems most striking is that the angry working class – dismissed so often as myopic, unable to understand the economic trade-offs presented by trade – appears to have understood what the experts are only belatedly finding to be true: The benefits from trade to the American economy may not always justify its costs.

In a recent study, three economists – David Autor at the Massachusetts Institute of Technology, David Dorn at the University of Zurich and Gordon Hanson at the University of California, San Diego – raised a profound challenge to all of us brought up to believe that economies quickly recover from trade shocks. In theory, a developed industrial country like the United States adjusts to import competition by moving workers into more advanced industries that can successfully compete in global markets.

They examined the experience of American workers after China erupted onto world markets some two decades ago. The presumed adjustment, they concluded, never happened. Or at least hasn't happened yet. Wages remain low and unemployment high in the most affected local job markets. Nationally, there is no sign of offsetting job gains elsewhere in the economy. What's more, they found that sagging wages in local labor markets exposed to Chinese competition reduced earnings by $213 per adult per year.

In another study they wrote with Daron Acemoglu and Brendan Price from MIT, they estimated that rising Chinese imports from 1999 to 2011 cost up to 2.4 million American jobs.

"These results should cause us to rethink the short- and medium-run gains from trade," they argued. "Having failed to anticipate how significant the dislocations from trade might be, it is incumbent on the literature to more convincingly estimate the gains from trade, such that the case for free trade is not based on the sway of theory alone, but on a foundation of evidence that illuminates who gains, who loses, by how much, and under what conditions."

❧ ❧ ❧

The case for globalization based on the fact that it helps expand the economic pie by 3 percent becomes much weaker when it also changes the distribution of the slices by 50 percent, Mr. Autor argued.

And Steve Keen – economics professor and Head of the School of Economics, History and Politics at Kingston University in London – notes: "Plenty of people will try to convince you that globalization and free trade could benefit everyone, if only the gains were more fairly shared. The only problem with the party, they'll say, is that the neighbours weren't invited. We'll share the benefits more equally now, we promise. Let's keep the party going. Globalization and Free Trade are good."

This belief is shared by almost all politicians in both parties, and it's an article of faith for the economics profession.

❧ ❧ ❧

It's a fallacy based on a fantasy, and it has been ever since David Ricardo dreamed up the idea of "Comparative Advantage and the Gains from Trade" two centuries ago.

❧ ❧ ❧

[Globalization's] little shell and pea trick is therefore like most conventional economic theory: it's neat, plausible, and wrong. It's the product of armchair thinking by people who never put foot in the factories that their economic theories turned into rust buckets.

So the gains from trade for everyone and for every country that could supposedly be shared more fairly simply aren't there in the first place. Specialization is a con job – but one that the Washington elite fell for (to its benefit, of course). Rather than making a country better off, specialization makes it worse off, with scrapped machinery that's no longer useful for anything, and with less ways to invent new industries from which growth actually comes.

Excellent real-world research by Harvard University's "Atlas of Economic Complexity" has found diversity, not specialization, is the "magic ingredient" that actually generates growth. Successful countries have a diversified set of industries, and they grow more rapidly than more specialized economies because they can invent new industries by melding existing ones.

❧ ❧ ❧

Of course, specialization, and the trade it necessitates, generates plenty of financial services and insurance fees, and plenty of international junkets to negotiate trade deals. The wealthy elite that hangs out in the Washington party benefits, but the country as a whole loses, especially its working class.

Some Big Companies Losing Interest in Globalization

Ironically, the Washington Post noted in 2015 that the giant multinational corporations *themselves* are losing interest in globalization… and many are starting to bring the factories back home:

Yet despite all this activity and enthusiasm, hardly any of the promised returns from globalization have materialized, and what was until recently a taboo topic inside multinationals – to wit, should we reconsider, even rein in, our global growth strategy? – has become an urgent, if still hushed, discussion.

❧ ❧ ❧

Given the failures of globalization, virtually every major company is struggling to find the most productive international business model.

❧ ❧ ❧

Reshoring – or relocating manufacturing operations back to Western factories from emerging nations – is one option. As labor costs escalate in places such as China, Thailand, Brazil and South Africa, companies are finding that making products in, say, the United States that are destined for North American markets is much more cost-efficient. The gains are even more significant when productivity of emerging countries is taken into account.

❧ ❧ ❧

Moreover, new disruptive manufacturing technologies – such as 3-D printing, which allows on-site production of components and parts at assembly plants – make the idea of locating factories where the assembled products will be sold more practicable.

❧ ❧ ❧

GE, Whirlpool, Stanley Black & Decker, Peerless and many others have reopened shuttered factories or built new ones in the United States.

Our Comment

Surely Globalization is inescapable at this point in our development. Globalization per se is *not* the problem! It is unnecessarily a tragedy. Is not, rather, *corporate* globalization the problem? As with every other aspect of change throughout the last few decades, its course has been shaped and controlled by the world's ruling elite.

Too bad the growth of inequality had to become exponential before it had to be acknowledged by those responsible for it.

The admission by the worthies noted, that the present nature of globalization "increases inequality" is a welcome – if belated – endorsement of a case well argued for decades by many others. The task is to reverse this trend before the exploited give up on "democracy" and turn instead to whatever may seem a source of strength.

Élan

Massive Fossil Fuel Subsidies Continue, But True Costs are Hidden From Canadians

By Patrick DeRochie, environmentaldefence.ca, September 17, 2018

What's the dumbest policy in the world? Public cash for oil and gas!

Canada's federal government handed out hundreds of millions of dollars per year in public money to oil and gas companies between 2016 and 2018, despite its long-standing commitment to phase out fossil fuel subsidies.

Take action: Tell Canada to stop funding fossils.

Actually, the final figure is likely much higher, but a lack of transparency from the federal government makes many subsidies to climate polluters difficult to quantify. With the recent purchase of the Kinder Morgan pipeline, that number is likely to be higher still.

Our updated analysis, released today with our partners in the #StopFundingFossils coalition, underscores the need for Canada to enhance transparency and show leadership on fossil fuel subsidy reform as Chair of this week's G7 meeting of Energy and Environment Ministers in Halifax.

This matters, because subsidies can "lock-in" high-carbon projects and tip the scales against renewable energy alternatives, even as renewables become cheaper. Oil and gas projects are designed to operate for about forty years, meaning they will continue to spew carbon pollution for decades to come.

Fossil fuel subsidies support an industry that pollutes our air and water and they undermine action on climate change. Combining carbon pricing and fossil fuel subsidies is like trying to bail water out of a leaky boat. If you don't fix the leak – the subsidies – you're never going to fix the problem of growing carbon pollution from the oil and gas sector.

In our new report, we provide details on the array of tax breaks, fiscal supports and direct grants from the federal government that are encouraging the production of more fossil fuels.

The report's valuation of fossil fuel subsidies was lower than previous estimates, but not because of government action to eliminate subsidies. There have been small steps taken to reform fossil fuel subsidies in Canada in recent years, but Canada is still the largest provider of government support for oil and gas production per unit of GDP of all G7 countries.

The lower subsidies have more to do with the oil price crash, a perverse tax system, and crafty industry accounting than government action. The federal tax system allows oil and gas companies to carry forward expenses for exploration and development until it becomes most beneficial to reduce their tax liability. The result is: governments subsidize oil producers *more* when the price of oil – and industry profits – are high.

Our analysis of federal support for the fossil fuel industry comes shortly after the federal government bought the Trans Mountain pipeline and its proposed expansion. Until we know more about the details of the Kinder Morgan purchase, the size of this potential subsidy is impossible to quantify. But there's a high risk that the pipeline purchase will entail a large subsidy, as it provides a financial benefit to Kinder Morgan and it's not clear anyone will want to buy it back from the government.

Instead of rapidly phasing out fossil fuel subsidies and gradually winding down the oil and gas industry to meet its climate targets, Canada is buying a tar sands pipeline and financing its expansion. Fossil fuel subsidies prop up a sunset industry and slow down the inevitable transition to zero-carbon economy.

In June, Canada entered into a peer review of its fossil fuel subsidies with Argentina, a welcome and required step to ensure real transparency to fill the gaps identified in our report. As the Chair of this week's G7 meeting in Halifax, Canada needs to lead in getting G7 nations to develop a detailed roadmap to phase out these subsidies by 2025.

It's past time for Canada to stop giving public handouts to climate polluters and invest in a clean energy economy that puts workers and communities at its forefront.

❧ ❧ ❧

Our Comment. What right have we to jeopardize tomorrow, to satisfy today's short-sighted preoccupation with profit? *Élan*

Forced Perspective: Fedeli's Framing Sets the Stage for Deep Cuts

By Sheila Block, Behind the Numbers, September 21, 2018

It is a ritual in Canadian politics: a new government comes into power, it reviews the books, and then expresses outrage at how badly the finances were managed and how the public was misled. Conservative governments then use these shocking "discoveries" to double down on privatizing and reducing public services.

Following that tradition, the new Ontario government recently appointed an Independent Financial Commission of Inquiry that included former BC Premier Gordon Campbell, former federal Deputy Minister of Finance Michael Horgan, and forensic accountant Al Rosen.

That report, released today, was showcased in Finance Minister Vic Fedeli's highly partisan speech to the Economic Club of Canada revealing some of the conclusions from the commission's report – most notably, the claim that Ontario's deficit is actually $15 billion.

In contrast to the strong tone in the minister's speech, the report itself is actually quite measured.

Two major issues that the commission's report addresses have been well canvassed before: the treatment of some public pension plan assets and the financing of the Fair Hydro plan.

The treatment of these issues had the previous government and the auditor general at loggerheads. The commission takes a measured approach with respect to the pension issue. The report states that the government and the auditor general need to get on the same page, which is hard to disagree with. Until then, it suggests that the government uses the auditor general's numbers. By doing so, Ontario's deficit goes up by $2.7 billion.

With respect to the Fair Hydro plan, the commission agrees with the auditor general. And expert opinion is on its side on this one. The treatment was a financial sleight of hand trying to meet both deficit and hydro bill promises made by the previous government.

That ratchets the provincial deficit up another $2.4 billion.

The commission also agreed with the Financial Accountability Office that the previous government's promise that program spending would grow by only two percent a year would be hard to achieve.

"The question is whether this is credible with no specific plan of action or understanding of how dramatically constrained program spending would affect individual or programs and services."

The commission also updated revenue and expenditure forecasts. It revised the revenue forecast down by a very modest $1.5 billion.

Bottom line: increased costs from treatment of hydro ($2.4 billion), pension assets ($2.7 billion), and the reversal of program spending target ($1.4 billion) results in a total $6.4 billion increase in expenses.

Overall, the report did not support the finance minister's fiery, partisan rhetoric.

This new government is clearly intent on setting up a frame that gives it room to make policy moves it never promised on the campaign trail. Count on the government to use this fiscal shortfall as a cover to cut spending even more than it initially promised during the campaign. With health and education spending accounting for more than 60 percent of program spending in Ontario, we know that these cuts will have an impact on these crucial public services.

Expect more wait times for hospitals and fewer nurses caring for us when we are sick. More delays in essential school repairs and a shortage of essentials crucial to kids' education. And expect fewer supports for Ontario's most vulnerable.

It doesn't have to be this way. Ontario's new finance minister could have stood in front of the Economic Club of Canada, announced a bigger deficit than expected, and he could have taken the opportunity to tell corporate Ontario that we can't afford more tax cuts. After all, Ontario's obsession with tax cuts is partly responsible for its revenue problem.

Sure, most new governments play this *we found skeletons in the closet* game. But fiscal conservatives use it as an opportunity to cut – and Fedeli's presentation today suggests that this government is paving the way for cuts that will be fast and deep.

Sheila Block is a senior economist with the Canadian Centre for Policy Alternatives' Ontario office. You can find her on twitter at @ Sheila_M_Block.

Comment

There is another issue never addressed anymore by CCPA. That is, "From whom does the government borrow?" In the early '90s under Bob Rae, COMER economists advised the Finance committee, chaired by my brother an MPP who taught economics, to use the POSO – the Province of Ontario Savings Office – to finance the deficit during that recession. That idea was resisted by Laughren until the last year of their mandate. The Harris government then sold the POSO.

If the CCPA wanted to increase its credibility on these issues it would look at other public banking options around the world such as North Dakota, Germany and China not to mention the Guernsey Islands. Or even examine Canada's history using the Bank of Canada and articles published by the Levy Institute. A good beginning resource is Ellen Brown in her book the *Public Banking Solution* or even Richard Werner's presentations on Germany. The COMER archives – comer.org – are packed with information too.

In the USA the city of Los Angeles is having a referendum on the public banking issue and the governor of New Jersey has an interest in the issue.

Alberta has its public bank called the Alberta Treasury Board but does/cannot use it for financing government services but only private entrepreneurial activities it seems.

The problem seems to be the Libertarian beliefs that governments should be shrunk and not used to help people. In Canada all MPs appear to have signed on to the Austrian School of Economics' belief that the Bank of Canada should be autonomous and only deal with inflation, and that the government should only look at fiscal budgetary measures. As I have frequently pointed out, the fiscal situation of the government is impacted on and by the monetary policies and actions of the Bank of Canada which also impacts on the fiscal situation of the provinces and municipalities.

We will continue to face these problems until we change our thinking about public banking.

Herb Wiseman

Five Financial Consequences of Trump Getting His Hands on the Economy

By Nomi Prins, truthout.org, August 2, 2018

Here we are in the middle of the second year of Donald Trump's presidency and if there's one thing we know by now, it's that the leader of the free world can create an instant reality-TV show on geopolitical steroids at will. True, he's not polished in his demeanor, but he has an unerring way of instilling the most uncertainty in any situation in the least amount of time.

Whether through executive orders, tweets, cable-news interviews, or rallies, he regularly leaves diplomacy in the dust, while allegedly delivering for a faithful base of supporters who voted for him as the ultimate anti-diplomat. And while he's at it, he continues to take a wrecking ball to the countless political institutions that litter the Acela Corridor. Amid all the tweeted sound and fury, however, the rest of us are going to have to face the consequences of Donald Trump getting his hands on the economy.

According to the Merriam-Webster dictionary, entropy is "a process of degradation or running down or a trend to disorder." With that in mind, perhaps the best way to predict President Trump's next action is just to focus on the path of greatest entropy and take it from there.

Let me do just that, while exploring five key economic sallies of the Trump White House since he took office and the bleakness and chaos that may lie ahead as the damage to the economy and our financial future comes into greater focus.

1. Continuous Banking Deregulation

When Trump ran for the presidency, he tapped into a phenomenon that was widely felt but generally misunderstood: a widespread anger at Wall Street and corporate cronyism. Upon taking office, he promptly redirected that anger exclusively at the country's borders and its global economic allies and adversaries.

His 2016 election campaign had promised not to "let Wall Street get away with murder" and to return the banking environment to one involving less financial risk to the country. His goal and that of the Republicans as a party, at least theoretically, was to separate bank commercial operations (deposits and lending) from their investment operations (securities creation, trading, and brokerage) by bringing back a modernized version of the *Glass-Steagall Act* of 1933.

Fast forward to May 18, 2017 when Trump's deregulatory-minded treasury secretary, "foreclosure king" Steven Mnuchin, faced a congressional panel and took a 180 on the subject. He insisted that separating people's everyday deposits from the financial-speculation operations of the big banks, something that had even made its way into the Republican platform, was a total nonstarter.

Instead, congressional Republicans, with White House backing, promptly took aim at the watered-down version of the *Glass-Steagall Act* passed in the Obama years, the *Dodd-Frank Act* of 2010. In it, the Democrats had already essentially capitulated to Wall Street by riddling the act with a series of bank-friendly loopholes. They had, however, at least ensured that banks would set aside more of their own money in the event of another Great Recession-like crisis and provide a strategy or "living will" in advance for that possibility, while creating a potent consumer-protection apparatus, the Consumer Financial Protection Bureau (CFPB). Say goodbye to all of that in the Trump era.

Dubbed the "*Choice Act*" – officially the *Economic Growth, Regulatory Relief, and Consumer Protection Act* – the new Republican bill removed the "living will" requirement for mid-sized banks, thereby allowing the big banks a gateway to do the same. When Trump signed the bill, he said that it was "the next step in America's unprecedented economic comeback. There's never been a comeback like we've made. And one day, the fake news is going to report it."

In fact, thanks to the Trump (and Republican) flip-flop, banks don't need to defend themselves anymore. The president went on to extol the untold virtues of his pick to run the CFPB, meant to keep consumers from being duped (or worse) by their own banks. Before Trump got involved, it had won $12 billion in settlements from errant banks for the citizens it championed.

However, Kathy Kraninger, a former Homeland Security official tapped by Trump to run the entity, has no experience in banking or consumer protection. His selection follows perfectly in the path of current interim head Mick Mulvaney (also the head of the Office of Management and Budget). All you need to know about him is that he once derided the organization as a "sick, sad" joke. As its director, he's tried to choke the life out of it by defunding it.

In this fashion, such still-evolving deregulatory actions reflect the way Trump's anti-establishment election campaign has turned into a full-scale program aimed at increasing the wealth and power of the financial elites, while decreasing their responsibility to us. Don't expect a financial future along such lines to look pretty. Think entropy.

2. Tensions Rise in the Auto Wars

Key to Trump's economic vision is giving his base a sense of camaraderie by offering them rallying cries from a bygone era of nationalism and isolationism. In the same spirit, the president has launched a supposedly base-supporting policy of imposing increasingly random and anxiety-provoking trade tariffs.

Take, for instance, the automotive sector, which such tariffs are guaranteed to negatively impact. It is ground zero for many of his working-class voters and a key focus of the president's entropic economic policies. When he was campaigning, he promised many benefits to auto workers (and former auto workers) and they proved instrumental in carrying him to victory in previously "blue" rust-belt states. In the Oval Office, he then went on to tout what he deemed personal victories in getting Ford to move a plant back to the US from Mexico while pressuring Japanese companies to make more cars in Michigan.

He also began disrupting the industry with a series of on-again-off-again, imposed or sometimes merely threatened tariffs, including on steel, that went against the wishes of the entire auto sector. Recently, Jennifer Thomas of the industry's main lobbying group, the Alliance of Automobile Manufacturers, assured a Commerce Department hearing that "the opposition is widespread and deep because the consequences are alarming."

Indeed, the Center for Automotive Research has reported that a 25% tariff on autos and auto parts (something the president has threatened but not yet followed through upon against the European Union, Canada, and Mexico) could reduce the number of domestic vehicle sales by up to two million units and might wipe out more than 714,000 jobs here. Declining demand for cars, whose prices could rise between $455 and $6,875, depending on the type of tariff, in the face of a Trump vehicle tax, would hurt American and foreign manufacturers operating in the US who employ significant numbers of American workers.

Though President Trump's threat to slap high tariffs on imported autos and auto parts from the European Union is now in limbo due to a recent announcement of ongoing negotiations, he retains the right if he gets annoyed by…well, anything…to do so. The German auto industry alone employs more than 118,000 people in the US and, if invoked, such taxes would increase its car prices and put domestic jobs instantly at risk.

3. The Populist Tyranny of the Trump Tax Cuts

President Trump has been particularly happy about his marquee corporate tax "reform" bill, assuring his base that it will provide jobs and growth to American workers, while putting lots of money in their pockets. What it's actually done, however, is cut the corporate tax rate from 35% to 21%, providing corporations with tons of extra cash. Their predictable reaction has not been to create jobs and raise wages, but to divert that bonanza to their own coffers via share buybacks in which they purchase their own stock. That provides shareholders with bigger, more valuable pieces of a company, while boosting earnings and CEO bonuses.

Awash in tax-cut cash, American companies have announced a record $436.6 billion worth of such buybacks so far in 2018, close to double the record $242.1 billion spent in that way in all of 2017. Among other things, this ensures less tax revenue to the US Treasury, which in turn means less money for social programs or simply for providing veterans with proper care.

As it is, large American companies only pay an average effective tax rate of 18% (a figure that will undoubtedly soon drop further). Last year, they only contributed 9% of the tax receipts of the government and that's likely to drop further to a record low this year, sending the deficit soaring. In other words, in true Trumpian spirit, corporations will be dumping the fabulous tax breaks they got directly onto the backs of other Americans, including the president's base.

Meanwhile, some of the crew who authored such tax-policies, creating a $1.5 trillion corporate tax give-away, have already moved on to bigger and better things, landing lobbying positions at the very corporations they lent such a hand to and which can now pay them even more handsomely. For the average American worker, on the other hand, wages have not increased. Indeed, between the first and second quarters of 2018 real wages dropped by 1.8% after the tax cuts were made into law. Trump hasn't touted that or what it implies about our entropic future.

4. Trade Wars, Currency Wars, and the Conflicts to Come

If everyone takes their toys to another playground, the school bully has fewer kids to rough up. And that's exactly the process Trump's incipient trade wars seem to be accelerating – the hunt for new playgrounds and alliances by a range of major countries that no longer trust the US government to behave in a consistent manner.

So far, the US has already slapped $34 billion worth of tariffs on Chinese imports. China has retaliated in kind. Playing a dangerous global poker game, Trump promptly threatened to raise that figure to at least$200 billion.

China officially ignored that threat, only inciting the president's ire further. In response, he recently announced that he was "willing to slap tariffs on every Chinese good imported to the US should the need arise." Speaking to CNBC's *Squawk Box* host Joe Kernen on July 20th, he boasted, "I'm ready to go to 500 [billion dollars]."

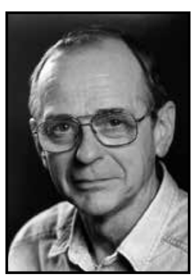
That's the equivalent of nearly every import the Chinese sent into the US last year. In contrast, the US exports only $129.9 billion in products to China, which means the Chinese can't respond in kind, but they can target new markets, heighten the increasingly tense relations between the world's two economic superpowers, and even devalue their currency to leverage their products more effectively on global markets.

Global trade alliances were already moving away from a full-scale reliance on the US even before Donald Trump began his game of tariffs. That trend has only gained traction in the wake of his economic actions, including his tariffs on a swath of Mexican, Canadian, and European imports. Recently,

Rev. Dr. George Harvey Crowell

With a heavy heart indeed, we report the loss of Dr. George Crowell, a long-time member of COMER.

George graduated from Princeton University and Union Theological Seminary (NYC). Ordained a Presbyterian Minister, he moved soon to teaching social ethics at Lake Forest College and the College of Wooster before joining the Religious Studies Department at the University of Windsor, where he taught social ethics until his retirement. He focused on issues of peace and justice, environmental protection, racial harmony, and, for the last 20 years, on the necessity for a change in monetary policy as essential for a just society and the preservation of the social safety net for all Canadians.



He was a dedicated activist supporting the work of many social justice organizations including the London and District Labour Council, the Society of Christian Ethics, the Council of Canadians, the Committee on Monetary and Economic Reform (COMER), and a remnant community of Christ Church at Maple View Terrace in London.

George was a tireless activist who, despite a long illness, never ceased to care, and to work hard for what he believed in.

I was privileged to visit George just a few days before his death. He engaged in earnest discussion of the work in which we were both involved, and of the state of the world and the potential for meaningful change.

The celebration of his life truly was a celebration and a moving testament to the deep love and respect for him among his family and friends.

One of his daughters recalled a time when she asked him, on his way out, where he was going. He replied that he needed to go out to make the world a better place. In truth, he dedicated his life to that pursuit – and, he has, in fact, made the world a better place.

It is with much admiration and affection that we express our gratitude for his outstanding contributions to the work of COMER.

Ann Emmett

two major American allies turned a slow dance toward economic cooperation into a full-scale embrace. On July 17, the European Union and Japan agreed on a mega-trade agreement that will cover one-third of the products made by the world economy.

Meanwhile, China has launched more than 100 new business projects in Brazil alone, usurping what was once a US market, investing a record $54 billion in that country. It is also preparing to increase its commitments not just to Brazil, but to Russia, India, China, and South Africa (known collectively as the BRICS countries), investing $14.7 billion in South Africa ahead of an upcoming BRICS summit there. In other words, Donald Trump is lending a disruptively useful hand to the creation of an economic world in which the US will no longer be as central an entity.

Ultimately, tariffs and the protectionist policies that accompany them will hurt consumers and workers alike, increasing prices and reducing demand. They could force companies to cut back on hiring, innovation, and expansion, while also hurting allies and potentially impeding economic growth globally. In other words, they represent an American version of an economic winding down, both domestically and internationally.

5. Fighting the Fed

President Trump's belligerence has centered around his belief that the wealthiest, most powerful nation on the planet has been victimized by the rest of the world. Now, that feeling has been extended to the Federal Reserve where he recently lashed out against its chairman (and his own appointee) Jerome Powell.

The Fed had been providing trillions of dollars of stimulus to the banking system and financial markets though a bond-buying program wonkily called "quantitative easing" or "QE." Its claim: that this Wall Street subsidy is really a stimulus for Main Street.

Unlikely as that story may prove to be, presidents have normally refrained from publicly commenting on the Federal Reserve's policies, allowing it to maintain at least a veneer of independence, as mandated by the *Federal Reserve Act* of 1913. (In reality, the Fed has remained significantly dependent on the whims and desires of the White House, a story revealed in my new book *Collusion*.) However, this White House is run by a president who couldn't possibly keep his opinions to himself.

So far, the Fed has raised (or "tightened") interest rates seven times since December 2015. Under Powell, it has done so twice, with two more hikes forecast by year's end. These moves were made without Trump's blessing and he views them as contrary to his administration's economic objectives. In an interview with CNBC, he proclaimed that he was "not thrilled" with the rate hikes, a clear attempt to directly influence Fed policy.

Sticking with tradition, the Fed offered no reaction, while the White House quickly issued a statement emphasizing that the president "did not mean to influence the Fed's decision-making process."

Ignoring that official White House position, the president promptly took to Twitter to express his frustrations with the Fed. ("[T]he United States should not be penalized because we are doing so well. Tightening now hurts all that we have done. The US should be allowed to recapture what was lost due to illegal currency manipulation and BAD Trade Deals. Debt coming due & we are raising rates – Really?")

Fed Chairman Powell may want to highlight his independence from the White House, but as a Trump appointee, any decisions made in the framework of the president's reactions could reflect political influence in the making. The bigger problem is that such friction could incite greater economic uncertainty, which could prove detrimental to the economic strength Trump says he wants to maintain.

When Entropy Wins, the World Loses

Trump's method works like a well-oiled machine. It keeps everyone – his cabinet, the media, global leaders, and politicians and experts of every sort – off guard. It ensures that his actions will have instant impact, no matter how negative.

Economically, the repercussions of this strategy are both highly global and extremely local. As Senator Ben Sasse (R-NE) noted recently, "This trade war is cutting the legs out from under farmers and [the] White House's 'plan' is to spend $12 billion on gold crutches…. This administration's tariffs and bailouts aren't going to make America great again, they're just going to make it 1929 again."

He was referring to the White House's latest plan to put up to $12 billion taxpayer dollars into those sectors of American agriculture hit hardest by Trump's tariff wars. Let that sink in for a moment and think: entropy. In order to fix the problems the president has created, allegedly to help America become great again, a deficit-ridden government will have to shell out extra taxpayer dollars.

Subsidizing farmers isn't in itself necessarily a bad thing. It is, in fact, very New Deal-ish and Franklin Delano Roosevelt-esque. But doing so to fix an unnecessary problem? Under such circumstances, where will it stop? When those $200 billion or $500 billion in tariffs on China (or other countries) enflames the situation further, who gets aid next? Auto workers? Steel workers?

What we are witnessing is the start of the entropy wars, which will, in turn, hasten the unwinding of the American global experiment. Each arbitrary bit of presidential pique, each tweet and insult, is a predecessor to yet more possible economic upheavals and displacements, ever messier and harder to clean up. Trump's America could easily morph into a worldwide catch-22. The more trust is destabilized, the greater the economic distress. The weaker the economy, the more disruptable it becomes by the Great Disrupter himself. And so the Trump spiral spins onward, circling down an economic drain of his own making.

Nomi Prins is a journalist, speaker, respected TV and radio commentator, and former Wall Street executive. Her latest book is Collusion: How Central Bankers Rigged the World.

Our Comment

Trump's policy of Continuous Banking Deregulation is an excellent example of his knack for successfully exploiting social unrest to further his own agenda.

This entropic process rages like galloping consumption.

It's hard to account for his "self-assured" threat of tariffs, disrupting the auto industry, absolutely without regard for the data, for professional advice, or for the wishes of the "entire auto sector" that portend "alarming" consequences.

His bold habit of saying one thing and then doing the opposite and – seemingly – getting away with it, is perhaps the most worrisome feature of our "entropic," so-called democracy.

The alienation of friends and foes alike through his arrogant bully tactics and heedless disregard for "trade wars, currency wars, and the conflicts to come," are indicative of traits incompatible with any reasonable concept of leadership!

Élan

Blackstone, BlackRock or a Public Bank? Putting California's Funds to Work

Written by Ellen Brown, The Web of Debt Blog, Published May 30, 2018

California has over $700 billion parked in private banks earning minimal interest, private equity funds that contributed to the affordable housing crisis, or shadow banks of the sort that caused the banking collapse of 2008. These funds, or some of them, could be transferred to an infrastructure bank that generated credit for the state – while the funds remained safely on deposit in the bank.

California needs over $700 billion in infrastructure during the next decade. Where will this money come from? The $1.5 trillion infrastructure initiative unveiled by President Trump in February 2018 includes only $200 billion in federal funding, and less than that after factoring in the billions in tax cuts in infrastructure-related projects. The rest is to come from cities, states, private investors and public-private partnerships (PPPs) one. And since city and state coffers are depleted, that chiefly means private investors and PPPs, which have a shady history at best.

A 2011 report by the Brookings Institution found that "in practice [PPPs] have been dogged by contract design problems, waste, and unrealistic expectations." In their 2015 report "Why Public-Private Partnerships Don't Work," Public Services International stated that "experience over the last 15 years shows that PPPs are an expensive and inefficient way of financing infrastructure and divert government spending away from other public services. They conceal public borrowing, while providing long-term state guarantees for profits to private companies." They also divert public money away from the neediest infrastructure projects, which may not deliver sizable returns, in favor of those big-ticket items that will deliver hefty profits to investors. A March 2017 report by the Economic Policy Institute titled "No Free Bridge" also highlighted the substantial costs and risks involved in public-private partnerships and other "innovative" financing of infrastructure.

Meanwhile, California is far from broke. It has over well over $700 billion in funds of various sorts tucked around the state, including $500 billion in CalPERS and CalSTRS, the state's massive public pension funds. These pools of money are restricted in how they can be spent and are either sitting in banks drawing a modest interest or invested with Wall Street asset managers and private equity funds that are not obligated to invest the money in California and are not safe. For fiscal year 2009, CalPERS and CalSTRS reported almost $100 billion in losses from investments gone awry.

In 2017, CalSTRS allocated $6.1 billion to private equity funds, real estate managers, and co-investments, including $400 million to a real estate fund managed by Blackstone Group, the world's largest private equity firm, and $200 million to BlackRock, the world's largest "shadow bank." CalPERS is now in talks with BlackRock over management of its $26 billion private equity fund, with discretion to invest that money as it sees fit.

"Private equity" is a rebranding of the term "leveraged buyout," the purchase of companies with loans which then must be paid back by the company, typically at the expense of jobs and pensions. Private equity investments may include real estate, energy, and investment in public infrastructure projects as part of a privatization initiative. Blackstone is notorious for buying up distressed properties after the housing market collapsed. It is now the largest owner of single-family rental homes in the US. Its rental practices have drawn fire from tenant advocates in San Francisco and elsewhere, who have called it a Wall Street absentee slumlord that charges excessive rents, contributing to the affordable housing crisis; and pension funds largely contributed the money for Blackstone's purchases.

BlackRock, an offshoot of Blackstone, now has $6 trillion in assets under management, making it larger than the world's largest bank (which is in China). *Die Zeit* journalist Heike Buchter, who has written a book in German on it, calls BlackRock the "most powerful institution in the financial system" and "the most powerful company in the world" – the "secret power." Yet despite its size and global power, BlackRock, along with Blackstone and other shadow banking institutions, managed to escape regulation under the *Dodd-Frank Act*. Blackstone CEO Larry Fink, who has cozy relationships with government officials according to journalist David Dayen, pushed hard to successfully resist the designation of asset managers as systemically important financial institutions, which would have subjected them to additional regulation such as larger capital requirements.

The proposed move to hand CalPERS' private equity fund to BlackRock is highly controversial, since it would cost the state substantial sums in fees (management fees took 14% of private equity profits in 2016), and BlackRock gives no guarantees. In 2009, it defaulted on a New York real estate project that left CalPERS $500 million in the hole. There are also potential conflicts of interest, since BlackRock or its managers have controlling interests in companies that could be steered into deals with the state. In 2015, the company was fined $12 million by the SEC for that sort of conflict; and in 2015, it was fined $3.5 million for providing flawed data to German regulators. BlackRock also puts clients' money into equities, investing it in companies like oil company Exxon and food and beverage company Nestle, companies which have been criticized for not serving California's interests and exploiting state resources.

California public entities also have $2.8 billion in CalTRUST, a fund managed by BlackRock. The CalTRUST government fund is a money market fund, of the sort that triggered the 2008 market collapse when the Reserve Primary Fund "broke the buck" on September 15, 2008.

The CalTRUST website states: "You could lose money by investing in the Fund. Although the Fund seeks to preserve the value of your investment at $1.00 per share, it cannot guarantee it will do so. An investment in the Fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. The Fund's sponsor has no legal obligation to provide financial support to the Fund, and you should not expect that the sponsor will provide financial support to the Fund at any time."

CalTRUST is billed as providing local agencies with "a safe, convenient means of maintaining liquidity," but billionaire investor Carl Icahn says this liquidity is a myth. In a July 2015 debate with Larry Fink on *FOX Business Network*, Icahn called Black-

Rock "an extremely dangerous company" because of the prevalence of its exchange-traded fund (ETF) products, which Icahn deemed illiquid. "They sell liquidity," he said. "There is no liquidity…. And that's what's going to blow this up." His concern was the amount of money BlackRock had invested in high-yield ETFs, which he called overpriced. When the Federal Reserve hikes interest rates, investors are likely to rush to sell these ETFs; but there will be no market for them, he said. The result could be a run like that triggering the 2008 market collapse.

The Infrastructure Bank Option

There is another alternative. California's pools of idle funds cannot be spent on infrastructure, but they could be deposited or invested in a publicly-owned bank, where they could form the deposit base for infrastructure loans. California is now the fifth largest economy in the world, trailing only Germany, Japan, China and the United States. Germany, China and other Asian countries are addressing their infrastructure challenges through public infrastructure banks that leverage pools of funds into loans for needed construction.

Besides the China Infrastructure Bank, China has established the Asian Infrastructure Investment Bank (AIIB), whose members include many Asian and Middle Eastern countries, including Australia, New Zealand, and Saudi Arabia. Both banks are helping to fund China's trillion dollar "One Belt One Road" infrastructure initiative.

Germany has an infrastructure bank called KfW which is larger than the World Bank, with assets of $600 billion in 2016. Along with the public Sparkassen banks, KfW has funded Germany's green energy revolution. Renewables generated 41% of the country's electricity in 2017, up from 6% in 2000, earning the country the title "the world's first major green energy economy." Public banks provided over 72% of the financing for this transition.

As for California, it already has an infrastructure bank – the California Infrastructure and Development Bank (IBank), established in 1994. But the IBank is a "bank" in name only. It cannot take deposits or leverage capital into loans. It is also seriously underfunded, since the California Department of Finance returned over half of its allotted funds to the General Fund to repair the state's budget after the dot.com market collapse. However, the IBank has 20 years' experience in making prudent infrastructure loans at below municipal bond rates, and its clients are limited to municipal governments and other public entities, making them safe bets underwritten by their local tax bases. The IBank could be expanded to address California's infrastructure needs, drawing deposits and capital from its many pools of idle funds across the state.

A Better Use for Pension Money

In an illuminating 2017 paper for UC Berkeley's Haas Institute titled "Funding Public Pensions," policy consultant Tom Sgouros showed that the push to put pension fund money into risky high-yield investments comes from a misguided application of the accounting rules. The error results from treating governments like private companies that can be liquidated out of existence. He argues that public pension funds can be safely operated on a pay-as-you-go basis, just as they were for 50 years before the 1980s. That accounting change would take the pressure off the pension boards and free up hundreds of billions of dollars in taxpayer funds. Some portion of that money could then be deposited in publicly-owned banks, which in turn could generate the low-cost credit needed to fund the infrastructure and services that taxpayers expect from their governments.

Note that these deposits would not be spent. Pension funds, rainy day funds and other pools of government money can provide the liquidity for loans while remaining on deposit in the bank, available for withdrawal on demand by the government depositor. Even mainstream economists now acknowledge that banks do not lend their deposits but actually create deposits when they make loans. The bank borrows as needed to cover withdrawals, but not all funds are withdrawn at once; and a government bank can borrow its own deposits much more cheaply than local governments can borrow on the bond market. Through their own public banks, government entities can thus effectively borrow at bankers' rates plus operating costs, cutting out middlemen. And unlike borrowing through bonds, which merely recirculate existing funds, borrowing from banks creates new money, which will stimulate economic growth and come back to the state in the form of new taxes and pension premiums. A working paper published by the San Francisco Federal Reserve in 2012 found that one dollar invested in infrastructure generates at least two dollars in GSP (state GDP), and roughly four times more than average during economic downturns.

Ellen Brown developed her research skills as an attorney practicing civil litigation in Los Angeles. In Web of Debt*, her latest book, she turns those skills to an analysis of the Federal Reserve and "the money trust." She shows how this private cartel has usurped the power to create money from the people themselves, and how we the people can get it back. Her eleven books include* Forbidden Medicine, Nature's Pharmacy *(co-authored with Dr. Lynne Walker), and Th*e Key to Ultimate Health *(co-authored with Dr. Richard Hansen). Her websites are www.webofdebt.com, www.ellenbrown.com, and www.public-banking.com.*

Our Comment

Surprise? Trump's infrastructure initiative: yet another scheme to exploit a public need for private gain.

The record of PPPs more than calls into question the true purpose and the public folly of the Canadian Infrastructure Bank.

What does it tell us that the fifth largest economy in the world can't – or *won't* – fund its infrastructure in the public interest?

Élan