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CONTENTS

- 3 Genetics
- 5 The Cost of Going Cold Turkey on Cheap Money
- 8 Pass the Books. Hold the Oil.
- 9 A Bull Market? Investors Aren't So Sure.
- 10 Global Hope: A Plan to End the Worldwide Financial Crisis
- 13 What Two Enemies Share
- 15 US Faces a Tricky Task in Assessment of Data on Iran
- 16 Odysseus Lies Here?
- 18 Public Exit from Goldman Raises Doubt Over a New Ethic
- 19 Living Alone Is a Perk for Those Who can Afford It

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Questions as Banks Increase Dividends

By J.B. Silver-Greenberg, The New York Times, March 15, 2012

Emboldened by the Federal Reserve's passing grades on stress tests of banks, some of the nation's biggest financial firms are racing to dole out billions of dollars in dividends.

But some industry analysts and academics say that it is too soon and that it could threaten to put banks on shaky ground.

Such moves deplete the capital cushions of banks, potentially making them far more vulnerable to withstanding sudden market shocks.

"It's frankly irresponsible to allow banks to quickly empty their coffers," said Neil Barofsky, the former inspector general for the Troubled Asset Relief Program. "They should be holding onto this money."

Another potential problem is that stress tests might overstate the health of banks, Mr. Barofsky said.

On Tuesday, the Federal Reserve concluded that 15 of the 19 banks it examined would be able to maintain a minimum capital level during a severe economic crisis. That cleared the way for those banks to bolster dividend payments to shareholders and initiate a round of share buybacks.

It also set off a debate among economists and banking analysts about whether banks have actually achieved renewed strength.

"The Fed has essentially appeased critics and proclaimed the banks healthy without doing real due diligence," said Anat R. Admati, a professor of finance and economics at Stanford.

The Fed has maintained that its examination of banks was extremely rigorous. On Tuesday, a senior Federal Reserve official

countered any worries about the health of most banks, noting that despite dividend plans, the banks would all have more capital by the end of the year than they had at the start of the year. That is because banks, even after increasing shareholder payouts this year, will still retain more profits because the dividends will be lower than they were before the financial crisis. Despite paying out dividends last year, they bolstered their capital by \$52 billion in 2011.

Healthy banks should be able to reward their shareholders with dividend payments, some banking analysts said.

"The scenarios were incredibly severe, and the banks fared extremely well," said Michael Scanlon, a senior equity analyst with Manulife Asset Management in Boston.

First out of the gate, JPMorgan Chase announced Tuesday that it would buy back roughly \$12 billion in stock this year and increase its quarterly dividend payment by a nickel, to 30 cents.

Others quickly followed suit, bolstered by passing the Fed's test. Wells Fargo in-

Continued on page 2



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Dividends from page 1

creased its dividend by 10 cents, to 22 cents. John Stumpf, the bank's chairman and chief executive said, “We are extremely pleased to reward our shareholders.”

American Express, the credit card issuer, also announced it would increase its quarterly dividend by 2 cents, to 20 cents a share. Meanwhile, US Bancorp raised its quarterly dividend, too, by 7 cents, to 19.5 cents.

The latest tests were the third that banks have been subjected to in the wake of the financial crisis. While some complained that the tests were too harsh, forcing industry titans like Citigroup to shelve plans for a dividend payment, some economists, including Professor Admati, have raised an alarm, saying the tests were not hard enough.

“Why are we letting banks hand out dividend payments and encouraging risky behavior after they passed flimsy tests?” she said. “It's frankly dangerous, and the Fed should not allow it.”

Rebel A. Cole, a former Fed economist and a professor of finance at DePaul University, said that the stress tests created too rosy a picture, drastically understating how a financial crisis would impact banks' balance sheets.

Even though the tests assumed a grim economic situation, with unemployment surging to 13 percent and housing prices plummeting by 21 percent, they failed to register how deeply banks' holdings, like mortgages and credit cards, would suffer.

For instance, the tests assumed that banks could lose up to \$56 billion on home equity lines of credit and second-lien mortgages, or roughly 13 percent of their portfolio. That's too low, Mr. Cole said. “Those loss rates don't even pass the smell test,” he said. In an economic downturn, more underwater homeowners would default on their loans, he said.

Another problem with the tests, critics said, was that they underestimated the legal liabilities that might still be lurking for banks as they work through a backlog of soured mortgages.

In its analysis of Bank of America, the Fed predicted the firm could withstand up to \$60 billion in losses over the next two years, without increasing its current dividend of 1 cent a quarter. But Professor Cole said that Bank of America's liabilities on those mortgages – especially if the bank has to pay more money to investors who are demanding that the bank reimburse them for losses on mortgage bonds – could far exceed that \$60 billion mark.

In addition, the Fed too heavily relies on 2008 and 2009 to create its nightmare economic situations, he said. For example, the Fed situation expected that interest rates on 10-year Treasuries would plunge to 1.64 percent, without factoring in a different circumstance where interest rates could surge and undercut loan demand.

In addition, the tests did not take into account difficulties that the banks might face in borrowing money. Without that, the tests could potentially be incomplete, Mr. Barofsky said.

Instead of allowing banks to return money to shareholders, the Fed should force them to retain it, he said. “In this case, the Fed is acting as enabler,” he said.

Banks had long been a reliable source of income for shareholders through dividends, until the rising payouts were essentially wiped out as the financial crisis crippled the banks and they sought federal money to survive. Shareholders have been pressuring banks to increase the payouts, eager to recoup losses on financial stocks.

Citigroup was among those that were not permitted to raise dividends. It had paid a hefty 54 cent quarterly dividend to shareholders before the financial crisis. Now, the bank pays 1 cent a share. The Fed quashed Citi's latest effort to increase dividend payouts for shareholders. The regulator determined that despite two years of profits, Citi would not have enough capital to increase its dividend payments while still weathering a financial crisis even more severe than 2008's. Neither Citi nor the Fed disclosed how much the bank wanted to raise the payout.

Still, Citi will try again, resubmitting a revised proposal to the central bank later this year.

Our Comment

In avoiding facing the plain facts is avoiding to recognize the real costing of supposedly balancing budgets by circumcising the phony resources of the state, our governments have aspired to the role of a new Jehovah revealing to his chosen people on the mountain the mysterious privileges of circumcision.

But the privileged lack of accountancy must alert us that the holy knife has slipped and more than the foreskin has gone missing.

Pretending that is not so, will not be helpful at best, the powers that be will have to replace what they have too readily

Continued on page 17

Genetics

By Carolyn Abraham, *The Globe and Mail*, January 7, 2012

Humanity has long dreamed of perfection, striving to be faster, stronger and brighter, pushing nature to the limit. Four centuries before people were conceived in a Petri dish, Swiss alchemist Paracelsus claimed flawless little beings could be grown in pumpkins filled with urine and horse dung, but there is no record he produced a crop.

With the birth of Louise Brown in 1978, the test tube finally succeeded where the pumpkin had failed, and the year she turned 11, scientists moved beyond making life in a lab: They found a way to peer into an embryo's genes and predict what that life might be like.

That ability is now morphing into a whole new approach to baby-making, one that gives people an unprecedented power to preview, and pick, the genetic traits of their prospective children.

Just as Paracelsus wrote that his recipe worked best if done in secret, modern science is quietly handing humanity something the quirky Renaissance scholar could only imagine: the capacity to harness our own evolution. We now have the potential to banish the genes that kill us, that make us susceptible to cancer, heart disease, depression, addictions and obesity, and to select those that may make us healthier, stronger, more intelligent.

The question is, should we?

It has been barely a year since the Supreme Court of Canada struck down the federal government's attempt to regulate assisted reproductive technology, handing the reins to the provinces, most of which have done nothing to fill the void.

During that year, fertility clinics across the country have begun to take advantage of the technology's latest tools. They are sending cells from embryos conceived here through in vitro fertilization (IVF) to private US labs equipped to test them rapidly for an ever-growing list of genetic disorders that couples hope to avoid.

Recent breakthroughs have made it possible to scan every chromosome in a single embryonic cell, to test for genes involved in hundreds of "conditions," some of which are clearly life-threatening while others are less dramatic and less certain – unlikely to strike until adulthood if they strike at all.

And science is far from finished. On the horizon are DNA microchips able to analyze more than a thousand traits at once, those linked not just to a child's health but to enhancements – genes that influence height, intelligence, hair, skin and eye colour and athletic ability.

Such tests were devised to help those suffering from infertility. But people well able to have babies the old-fashioned way now opt for IVF and embryo screening, paying a steep premium in return for the chance to have greater genetic control over their offspring.

Critics ranging from religious conservatives to advocates for the disabled worry that a new age of eugenics is rising, propelled not by racists, despots or elitists but by parental aspiration. Says Bernard Dickens, an expert in reproductive law and bioethics with the University of Toronto, this technology is "all part of the quest for the perfect child."

That quest was once the domain of science fiction. But last year the US National Aeronautics and Space Administration compiled a list of the most plausible sci-fi films. From thousands of candidates, NASA picked seven, led by the 1997 thriller *Gattaca*. Set in "the very near future," it depicts a eugenic dystopia created by embryo screening, in which people born naturally suffer in the shadow of those who begin life in a lab.

In one scene, a geneticist reassures a couple that "this child is still you, simply the best of you. You could conceive naturally a thousand times and never get such a result."

But the film's protagonist disagrees: "What began as a means to rid society of inheritable diseases has become a way to design your offspring – the line between health and enhancement blurred forever."

It's a sobering prospect, yet in the real world, at least one prominent Oxford scholar supports such "unnatural selection" wholeheartedly, arguing that people who procreate are morally obliged to improve the species.

Many in the medical community also take a positive outlook.

"Parents are always choosing what they think is best for their children," says Jeffrey Steinberg, whose Fertility Institutes has branches in Los Angeles, New York and, for those on a budget, Mexico. "The

dilemma we've got," he adds, "is that... there are no rules."

Dr. Steinberg, like many, sees the tests as a biological boon that could spare families and future generations from the burdens of disease, while Roger Pierson, a fertility specialist at the University of Saskatchewan, says governments can't ignore the economic implications. "We have an impending storm of health-care maintenance and cost issues."

"We are not going to slow the technology, so the question is, how do we use it?" Dr. Pierson says. "Twenty years from now, you have to wonder if all babies will be conceived by IVF."

What has Canadians Flying Down to Mexico?

It is 6:30 in the morning, and Dr. Steinberg is already on the job at the Fertility Institutes clinic in Guadalajara, which he visits from his base in Los Angeles every six weeks.

He offers IVF with embryos screened for a long list of conditions, and says his clients come from all over the world, including 10 to 15 couples a month from Canada – "a tenfold increase from five years ago, and the bulk of them are fertile."

Because of "an old-line religious stance or new-line political correctness," Dr. Steinberg says, most of his international clients can't have babies this way in their own countries.

Barring people from selecting the sex of a child was one of the few federal regulations the Supreme Court left intact, and the only restriction there is on embryo screening. Even still, couples face no repercussions for doing it out of country. Clients from certain cultures choose boys, but Dr. Steinberg finds Canadians tend to want girls.

"I don't see myself as a rebel," he contends. "I'm just offering what the science allows."

In the Beginning, a Way to Bolster IVF

The science of embryo testing was born in a small London hospital in 1989. British scientist Alan Handyside, who had trained with test-tube-baby pioneers Patrick Steptoe and Robert Edwards, devised a method to extract a cell from a newly created embryo and amplify enough of its DNA to check for mutations. Doing so would allow doctors to implant in a woman's uterus only those embryos free of the mutation she wished to avoid.

Known as pre-implantation genetic diagnosis, or PGD, it was billed by critics as a leap toward designer babies from the outset. But initially, few balked at its noble aims of eradicating hereditary diseases that can kill a child before kindergarten or result in catastrophic impairments, such as muscular dystrophy, Tay-Sachs and cystic fibrosis.

Yet this was before the human genome was mapped, and even Dr. Handyside says in an interview from London that “PGD was born prematurely.” Since then, genetic know-how has grown steadily, as have the uses of PGD, which is now employed to select a child’s sex, to create “saviour siblings” genetically equipped with donor tissues to match those of another child in need and, ironically, to satisfy disabled couples who want to have children like themselves, most famously selecting traits to ensure deafness and dwarfism.

But its most common use by far is among doctors hoping to increase the pregnancy rates in women undergoing IVF, which now accounts for about 1 percent of the 380,000 babies born in Canada every year. PGD can pinpoint abnormal embryos that carry a greater risk of miscarriage if implanted – a risk that increases exponentially with a woman’s age.

Even countries that once took a hard line against PGD are changing their rules. Fertility clinics in Ireland plan to seek government approval this year to start screening embryos for serious diseases, and last year Germany gave PGD the go-head, overriding the strict embryo-protection act it had adopted when the procedure was invented.

And as demand grows, so do requests to detect a wider range of disorders: colon cancers, albinism, heart conditions, facial deformities. Natera (formerly the Gene Security Network), a California-based screening lab launched by multimillionaire Web entrepreneur Matt Rabinowitz, has even considered adding psoriasis to the list.

“Virtually any gene that’s identified we can include on a test,” Mr. Rabinowitz said after a talk last fall to Canadian fertility doctors in Toronto. His company’s ethics board regularly debates what genes to include and has stopped short of cosmetic traits: “We get calls. People want to test for eye colour – we won’t do it.”

Dr. Steinberg’s work in Tinsel Town means that he is well acquainted with such desires. “We get requests for all kinds of things. We had a pop star inquiring if her vocal abilities could be passed on to her children,” and elite athletes asking, “Do you

think you could make it a tall boy?”

So when he went to a conference in 2009 and met scientists who had identified genes that influence eye, hair and skin colour in the people of Iceland, he assumed that his clients would be interested and struck a deal to offer tests for those genes. Then he posted the news on his clinic’s website, and “the whole world went ballistic.”

Media converged from as far away as Europe, so many reporters and cameras that he couldn’t get through the door. Television talk shows said folks would be able to customize their kids as they do their iPods.

Then the Vatican called. A soft-spoken papal executive said “he realized these things might be possible, that people might want these things,” Dr. Steinberg recalls. “‘But, please,’ he asked, ‘can you just slow down?’”

Dr. Steinberg agreed to do so, but not before an article appeared in the *Los Angeles Times* by a Washington man who had tried to use PGD to produce a sibling to save his mortally ill son. Allen Goldberg called it a corruption to use the technology to test for cosmetic characteristics. “What I now fear,” he wrote, “is that...trait selection to satisfy the whims of parents will turn people against a procedure that can save lives.”

The Screening Pioneer Who Had a Change of Heart

Last fall, not far from the Guadalajara clinic where Dr. Steinberg helps couples have children without disabilities, Canadian researcher Jeffrey Nisker was attending the 2011 Paralympics, cheering on a friend who was among the athletes.

Twenty years ago, Dr. Nisker also was a PGD pioneer helping to push the boundaries of the technology, but, unlike Dr. Steinberg, rather than slow down when ethics became a concern, he stopped altogether.

Working at the University of Western Ontario, he had come up with a method for extracting cells that allowed more embryos to survive PGD. With the help of a “huge grant,” he says, his clinic quickly became second only to the hospital where the procedure was born.

Then, he considered PGD a triumph – a way to have children without lethal diseases, while sparing pregnant women from amniocentesis, the genetic test that relies on the withdrawal of fetal cells and can trigger a miscarriage, as well as the prospect of an abortion.

“I was enamoured by the science,” Dr. Nisker says. “But, you know, I had never re-

ally thought about where it was going.”

That changed when news of his clinic’s first PGD pregnancies hit the media. He was deluged with calls, but few came from couples eager to avoid diseases. Most wanted “to choose the sex of their children, to select for this or that,” he says.

Even more surprising: “Fifty-eight percent of the calls were from fertile couples. I never thought for one minute this would be used by fertile couples.”

Before long, he says, “it was getting crazy.... My friends would say: ‘Don’t you see where this is going?’ And they were absolutely right. I shut the lab and gave the money back.”

A year later, in 1994, his concerns and desire for public discussion led him to write *Orchids*, a provocative play in which a doctor lecturing medical students says: “In a perfect world, exploration of the ethical and social implications of genetic science should precede research.... Without careful constraints, the rapid pace...may be harmful.”

Today, he still hopes for a full public debate, worried that screening out genetic defects will create a cold, intolerant world like the one portrayed in *Gattaca*: “This is scary to me because I’m one who doesn’t believe in social engineering. If we strive for perfection, we are going to blame people with disabilities. We’re not going to accommodate them, or support them with tax dollars.”

Santiago Munné, a PGD pioneer in the United States, says advocates for the disabled understandably oppose the procedure since they are “fighting for resources to support these kids.” But “the ethics of doing PGD are much better than terminating a pregnancy. We’re not doing that – we’re just not transferring [into a woman’s uterus] any embryos that have genetic diseases.”

But to those who believe that life begins at conception – even if it takes place in a Petri dish – there is no difference. In a 2006 submission to Health Canada, the Catholic Organization for Life and Family called for a ban on PGD, saying it “inherently disrespects the dignity and worth of human life, since it is performed in order to select the most genetically perfect embryos while discarding those that are deemed undesirable.

“Parents, doctors and society become... the arbitrators of life or death.”

The idea that they may be playing God has not escaped those who have tried PGD, or thought about trying it. The topic makes many parents uncomfortable – several couples turned down requests for interviews,

including Canadians among Dr. Steinberg's clients in Mexico.

PGD Parents Wrestle with Ethical Implications

But many are more candid with the anonymity provided by online fertility forums. For instance, an Australian mother of two sons recently wrote that she had intended to use screening to have a daughter but had a last-minute change of heart – “PGD felt too much like I was playing God,” she said, adding, “I know I'm pregnant with a girl. Don't know how I know but I just do.”

Another woman, who had used PGD to avoid passing down a syndrome that results in severe facial deformities, countered that she “doesn't really get the playing-God argument.... I think IVF is unnatural – but so is driving a car.”

A 47-year-old woman who had relied on donor eggs, and underwent IVF and PGD intending to conceive a boy as the fifth-generation namesake in her husband's family, said: “I don't feel that we are playing God at all.... No one but God can decide what sex the embryos are going to be.” Indeed, all her healthy embryos turned out to be girls.

About the same time that Dr. Steinberg was riling the Pope, Health Canada asked Dr. Nisker to find out how Canadians were using PGD, which led to a 2009 study that he says is already out of date. But he and sociologist Susan Cox of the University of British Columbia revived *Orchids* for a national tour, quizzing audiences to get an idea of how Canadians feel about the technology.

Of the 950 respondents, he says, “most were worried that government or doctors would draw the line around what could be tested. People were happier with everyone drawing their own lines, even if they were also worried about what would happen to the disabled.”

In fact, despite his own fears and 15 years of pushing for regulations, Dr. Nisker agrees that universal limits are tough to set, given that PGD is also embedded in the freedom of reproductive choice.

As Prof. Dickens, the U. of T. expert in reproductive law and bioethics, explains: “It is not clear that the government can, or should, intervene.”

In some cases, PGD can be seen as a public-health triumph, he says, citing its

profound effect on Ashkenazi Jewish communities that have a high risk of passing on Tay-Sachs, a neurodegenerative disease that usually kills a child by the age of 4.

If both parents carry the gene, chances are one in four their child will be afflicted. Two carriers used to be advised not to marry, or relied on amniocentesis and abortions. (A prenatal screening program of this type helped to reduce Tay-Sachs in Montreal's Jewish and Mediterranean communities by more than 95 percent.)

But with PGD, couples can take evolution into their own hands, implanting embryos not only free of the disease, but those that carry no copies of the defective gene at all – eliminating the risk of Tay-Sachs to future generations.

And while Prof. Dickens agrees that using PGD for cosmetic traits rather than life-and-death conditions is “questionable,” he doesn't rule it out. “If this is being funded by the individual, it is hard to limit.”

Unlike the US and Canada, Britain strictly regulates genetic selection, permitting it only for inherited disorders deemed serious enough to warrant discarding embryos that carry them. Every addition to the

The Cost of Going Cold Turkey on Cheap Money

By Ian Campbell, The Globe and Mail, March 14, 2012

Another quarter of a million US jobs created in February are hardly celebrating. Oil fell on the news. The S&P 500 stock index is at a post-recession high, but is far from flying – up only 4 percent since February 1. Jobs may be good for investors, but money for almost nothing from central banks is better. And economic strength means that money may not be coming so freely.

Markets are addicted to cheap money and withdrawal may be painful. When Ben Bernanke, chairman of the US Federal Reserve, failed even to hint at QE3 – a third round of Quantitative Easing – in a speech on February 29 the spot gold price suffered its biggest one-day fall in three years.

No wonder. The speculation has been that QE3 would be similar in size to the \$600 billion (US) of QE2. These huge sums dwarf Greek GDP, not just the current €130 billion bailout.

If the cash doesn't come, fans of the yellow metal would not be the only ones to suffer. No QE3 would be a challenge.

Safe haven bonds, equities and oil have

all recently scaled peaks.

Nor is QE3 the only stimulant that risks going missing. There's also LTRO3. The European Central Bank's two long-term refinancing operations put a trillion euros of fresh cash into European Banks. But Jens Weidmann, president of the German Bundesbank, has not been shy about expressing his discomfort with exceptional monetary support. LTRO3 is unlikely unless markets get really ugly.

Globally, markets continue to face high uncertainty. The United States, Japan and Germany are all showing signs of improving, though not high, growth.

Emerging markets are growing more slowly than before, but still quite fast. Euro trouble will keep brewing.

The big change and the biggest threat is that better economic news makes the liquidity tap gush less freely.

Yet trouble for markets might not be all bad. The inflated oil price threatens the recovery. If it were to fall it would help growth. What is bad for growth and jobs. That's some thing the central banks need to ponder.

Our Comment

The key to a balanced stock market is the recognition of human capital as the most productive investment a country can make, and that Greece has long ago made. And it was prepaid and represents Greece's contribution to humanity. Deny that, and you cut the legs of the prepaid heritage that we all owe Greece, and have replaced with a handout, which assumes that ancient Greece's unique heritage did not come prepaid. What is remarkable in this unique fraud is that international speculative capital should have bamboozled the Greek authorities – not to mention the larceny involved.

Clearly the cost of the corruption involved must exceed by far the prepaid capital achieved by classical Greece's unique investments. Hence, we have had to garble and corrupt the current Greek rulers to destroy their recollection of Greece's prepaid debt to humanity. That is why the very concept of Greece's uniquely great investment in human capital must be brought into recognition once again. Anything short of that will be massively costly fraud.

W.K.

test list requires formal permission and, to date, 130 have been approved.

Dr. Handyside is not a fan of his government's approach. "It's just added a whole layer of bureaucracy. It makes parents feel like pariahs."

Now at the London Bridge Fertility, Gynecology and Genetics Centre (whose website calls him "the father of PGD"), he recently wrote a commentary in the journal *Nature*, acknowledging that the new screening technologies "come with ethical and social challenges" and "are bound to increase demands from prospective parents who want to know, or control, how their child will turn out."

But Dr. Handyside feels that most couples are not interested in cosmetics – "they just want a healthy child" – and should be able to decide for themselves what they wish to avoid. The market polices itself, he says, pointing out that condemnation from the public and his own peers prompted Dr. Steinberg to withdraw his offer to test for eye, hair and skin colour.

Yet most screening decisions are made in private, between patients, their doctors and the ethics-review boards that clinics convene. But in Britain, all PGD testing is a matter of public record, and often, controversy.

In 2007, for instance, doctors were condemned for enabling a couple to avoid having their baby inherit a severe squint that prevented the father and grandfather from looking anywhere but down or to the side. Dr. Handyside says the father had undergone several operations to ease the condition, which "had blighted his life, and he didn't want to pass it on to his children."

Even conditions that seem mild can have a serious effect, he adds.

Which is why trying to restrict embryo tests to health-related conditions provides no easy answers: Should it include those that are mild or manageable, those that only increase disease risk, or only develop later in life?

Such questions are ever more pressing, says Marcy Darnovsky of the Washington-based Center for Genetics and Society: "Many people live happy, fulfilling lives with the conditions we're trying to weed out."

Cannot Avoid Ethical Issues

Seang Lin Tan, a renowned fertility specialist at McGill University who worked with Britain's IVF pioneers, agrees that the technology comes with tricky ethical issues. To him, the most vexing is whether embryos should be discarded for carrying disease genes that may not have an effect until well into adulthood.

Dr. Tan, also medical director of the Montreal Reproductive Centre, dismisses as "a lot of hype" the fear that couples will use PGD to make blond, blue-eyed babies. But he sympathizes with those who fear that the future may bring, say, breast cancer: "If you have this disease in your family... and you're doing PGD anyway, I think it's reasonable."

Last January, Dr. Tan says, his Montreal clinic became the first in Canada to begin shipping cells to Reprogenetics, a New Jersey laboratory established by Dr. Munné, the PGD pioneer, that runs non-stop – even on Christmas Day.

Quebec is the only province to fund IVF (providing only a single embryo is im-

planted to avoid the costs and risks linked to multiple births), now subsidizes a basic form of PGD.

Technology now available in Canada scans only a small fraction of chromosomes, Dr. Tan says, and a recent study in the *New England Journal of Medicine* found that the older tools can actually hurt pregnancy rates. Which is why his patients are willing to pay a premium of roughly \$5,000.

The Reprogenetics chip can scrutinize abnormalities in all 23 pairs of chromosomes simultaneously, and demand is so steady that Dr. Munné, who serves at least 10 Canadian clinics, says he may open a branch north of the border.

Dr. Tan's wife, Grace, who is director of McGill's medical MBA program and often helps out at the clinic, says patients who opt for PGD often are older and "very stressed – they have had repeated miscarriages and repeated abortions. To know they received a normal embryo gives them hope."

One woman was determined to avoid the genetic mutation that causes webbed feet in her husband's family. But all 10 of the embryos the couple conceived by IVF carried the mutation.

Rather than have any of them implanted, she opted to use donor sperm and bear a child with normal feet but no biological tie to her husband.

"There's no doubt that this area is a slippery slope," Dr. Tan says. "But at the end of the day, this technology evolves in pace with society's values."

The New York University School of Medicine surveyed 999 people in 2009 and found that most supported prenatal screening to eliminate serious diseases, along with mental retardation (75 percent) and blindness (56 percent). At least 10 percent also favoured improving height and 13 percent considered superior intelligence acceptable.

But Julian Savulescu, the controversial Oxford University bioethicist, believes that society must do more than be tolerant. He claims parents have a moral obligation to select embryos that are "most likely to have the best life, based on the available genetic information."

That information, he argues, should not be limited to avoiding disease genes, but should include those that might improve intelligence or physical characteristics – even if it maintains or adds to social inequalities. He calls it "procreative beneficence."

Prof. Savulescu, whom Dr. Nisker has often debated, also believes that society should embrace the genetic manipulation

The Price of Embryo Screening

Britain carefully controls which traits are screened, and regulators are coming under fire for allowing conditions that many people have learned to live with, often with great success.

One example is Marfan syndrome, a genetic disorder that affects connective tissue and the pulmonary system – and contributed to the long, lean look of US icon Abraham Lincoln.

In fact, many famous and accomplished people, have suffered from a range of genetic disorders that modern embryo screening promises to eliminate. The list includes:

Henri de Toulouse-Lautrec: Pycnodysostosis, which results in brittle bones that break easily, short stature and abnormal bone growth, particularly of the limbs, skull and jaw

Stephen Hawking: Amyotrophic lateral sclerosis, also known as Lou Gehrig's disease

Stevie Wonder: Blind from infancy because of a destructive ocular disorder

John F. Kennedy: Asthma

Michael J. Fox: Parkinson's disease

Neil Young: Epilepsy

Edwin (Buzz) Aldrin Jr.: Bipolar disorder

Ernest Hemingway: Depression

of embryos to endow future offspring with superior traits that inheritance has not provided. Until recently, such engineering was only theoretical. But in 2007, researchers at Cornell University quietly created the world's first genetically modified human embryo by adding a fluorescent gene that allowed scientists to watch it develop. The breakthrough did not become public until the following year, when it was roundly condemned as a worrisome step toward designer babies.

Despite the evolutionary aspirations of people like Prof. Savulescu, Ms. Darnovsky of the Center for Genetics and Society suspects that PGD is too expensive and invasive to be adopted widely. But even with limited use, she says, "the danger is we would be reinforcing the inequalities we already have to a shameful degree and introduce new inequalities where only some people have these traits."

She also worries that parents who go to great lengths to stack the genetic deck of their children will place undue expectations on them. "In a way, it's a closing off of the child's future," she says, since the parents have tried to predetermine what their strengths should be.

What's more, parents who turn to PGD as a means to avoid a specific condition may also decide to test for other traits while they are at it. "I think that what happens," Ms. Darnovsky says, "is that we start to look at our children as we look at remodeling," as when painting the front porch somehow leads to a full home renovation.

Dr. Steinberg agrees. "People might say one thing publicly about what they'd want in their children, but when you sit down and talk about we're going to do, they start asking about other things: intelligence and height."

Regardless of what people want, Dr. Handyside insists that the concept of the "designer baby...has no merit." PGD is limited by the genes the parents already have, he says. As well, the number of embryos parents have to choose from is limited by the fact that often only a few can be created by IVF at a time – making it extremely unlikely that any one could cherry-pick a desired combination of traits to produce, say, a blond, muscular Mozart.

"There are over eight million possible genetic combinations," he says. Even still, the selected embryo could be miscarried or develop a mutation in the womb. At best, he says, "the genetic snapshot will provide a fuzzy photo of each of your prospective

children."

Jonathan Kimmelman, a genetics researcher and bioethicist at McGill, notes that, while science has made it feasible to select against certain genes, selecting for them to predict traits is much trickier. "Genes are not determinants," he says, adding that a great many of them have a very small impact on the same characteristics and "interact with environmental cues about which we know very little."

Yet, to some who offer embryo screening, the limited power of genes bolsters the argument that it is harmless to select them.

"Parents make crucial decisions for their children all the time – where children are educated, how they are raised, how they feed them," says Mr. Rabinowitz of Natera. "In a way, this is not so different."

But Dr. Kimmelman says there is a crucial distinction: "When you put your child in a private school, the child interacts with the [environment]; he or she has a choice about how they interact with it.... But when you make a medical decision, it results in a biological cascade of events in which they have no choice."

And despite all its advances, science still knows too little about how genes function. Some do more than one job – genes involved in sickle cell anemia, for instance, also play a role in protecting against malaria. Is it possible that the genes judged undesirable could come back to haunt us?

"The history of medicine," Dr. Kimmelman notes, "is filled with unintended consequences."

Preconception Screening, or "Offspring Projections"

Dr. Handyside predicts that one day soon parents will know long before sperm meets egg what ills may befall their children. Studies estimate that unknowingly we all carry genes linked to three or more diseases – he recently discovered that his include cystic fibrosis.

"The 21st-century couple is going to say, 'Right, we want to start a family,' and then they get a \$1,000 gene test and see what... they carry that might get passed on."

In the US, the future has already arrived as companies have begun to offer preconception screening. Existence Genetics in California calls it "offspring projections," and analyzes the entire genomes of two people "to determine which diseases and traits their offspring are likely to inherit."

Company founder Brandon Colby says that, in a way, his genes determined his

future. Growing up in Long Island, NY, he was never allowed to run or play field sports with the other boys.

"Why?" he asked his parents.

"Because of your genes," they replied.

Born with epidermolysis bullosa simplex, an incurable genetic condition, he breaks out in painful blisters on his hands and feet when exposed to heat and friction. As a child, he had to be held down while they were lanced.

Now 33, Dr. Colby is a geneticist with a business degree from Stanford and a company with a microchip that can test a remarkable 1,500 genetic traits at once, including heart disease, seasonal affective disorder, obesity, athletic ability, hair and eye colour, height, susceptibility to alcohol and nicotine addictions, lactose intolerance and one of several genes linked to intelligence. This particular gene has been shown to result in a seven-point IQ gain if a baby is also breast-fed, he says: "We're interested in using the genetic information that will allow parents to take action."

Still, a technical hurdle remains – figuring out how to amplify enough DNA from a single embryonic cell to run such an extensive test. But Dr. Colby is confident that the answer is coming soon, just as he is certain that "PGD will be part of my reproductive future."

He is determined not to hand down his skin condition, even if he has thrived despite it – becoming a doctor, building a business and writing a book (called *Outsmart Your Genes*). He has even found a way to exercise – cruising the hillsides of Santa Barbara on a bicycle with custom-made, non-friction handlebars and special shoes.

"I have wrestled with this idea, that if this technology had been available to my parents, I might not be here. But then someone else would be and, hopefully, that person would have had the same value of a life."

Of course, even erasing his own existence seems insignificant compared with his plans for shaping the future. Eventually, "we're going to see most [major] diseases fade from existence," he says.

"Our next major leap of evolution as a species will be one that we control."



Editor: The achievements, hopes and the almost inevitable occasional overreach, in what is perfectly foreseeable. But an engraved invitation to disaster is when human capital and its key importance is disregarded so that speculative banking can take over.

Pass the Books. Hold the Oil.

By Thomas L. Friedman, *The New York Times*, March 11, 2012

Every so often someone asks me: “What’s your favorite country, other than your own?”

I’ve always had the same answer: Taiwan. “Taiwan? Why Taiwan?” people ask.

Very simple: Because Taiwan is a barren rock in a typhoon-laden sea with no natural resources to live off of – it even has to import sand and gravel from China for construction – yet it has the fourth-largest financial reserves in the world. Because rather than digging in the ground and mining whatever comes up, Taiwan has mined its 23 million people, their talent, energy and intelligence – men and women. I always tell my friends in Taiwan: “You’re the luckiest people in the world. How did you get so lucky? You have no oil, no iron ore, no forests, no diamonds, no gold, just a few small deposits of coal and natural gas – and because of that you developed the habits and culture of honing your people’s skills, which turns out to be the most valuable and only truly renewable resource in the world today. How did you get so lucky?”

That, at least, was my gut instinct. But now we have proof.

A team from the Organization for Economic Cooperation and Development, or OECD, has just come out with a fascinating little study mapping the correlation between performance on the Program for International Student Assessment, or PISA, exam – which every two years tests math, science and reading comprehension skills of 15-year-olds in 65 countries – and the total earnings on natural resources as a percentage of GDP for each participating country. In short, how well do your high school kids do on math compared with how much oil you pump or how many diamonds you dig?

The results indicated that there was a “a significant negative relationship between the money countries extract from national resources and the knowledge and skills of their high school population,” said Andreas Schleicher, who oversees the PISA exams for the OECD. “This is a global pattern that holds across 65 countries that took part in the latest PISA assessment.” Oil and PISA don’t mix. (See the data map at www.oecd.org/dataoecd/43/9/49881940.pdf.)

As the Bible notes, added Schleicher, “Moses arduously led the Jews for 40 years

through the desert – just to bring them to the only country in the Middle East that had no oil. But Moses may have gotten it right, after all. Today, Israel has one of the most innovative economies, and its population enjoys a standard of living most of the oil-rich countries in the region are not able to offer.”

So hold the oil, and pass the books. According to Schleicher, in the latest PISA results, students in Singapore, Finland, South Korea, Hong Kong and Japan stand out as having high PISA scores and few natural resources, while Qatar and Kazakhstan stand out as having the highest oil rents and the lowest PISA scores. (Saudi Arabia, Kuwait, Oman, Algeria, Bahrain, Iran and Syria stood out the same way in a similar 2007 Trends in International Mathematics and Science Study, or Timss, test, while, interestingly, students from Lebanon, Jordan and Turkey – also Middle East states with few natural resources – scored better.) Also lagging in recent PISA scores, though, were students in many of the resource-rich countries of Latin America, like Brazil, Mexico and Argentina. Africa was not tested. Canada, Australia and Norway, also countries with high levels of natural resources, still score well on PISA, in large part, argues Schleicher, because all three countries have established deliberate policies of saving and investing these resource rents, and not just consuming them.

Add it all up and the numbers say that if you really want to know how a country is going to do in the 21st century, don’t count its oil reserves or gold mines, count its highly effective teachers, involved parents and committed students. “Today’s learning outcomes at school,” says Schleicher, “are a powerful predictor for the wealth and social outcomes that countries will reap in the long run.”

Economists have long known about “Dutch disease,” which happens when a country becomes so dependent on exporting natural resources that its currency soars in value and, as a result, its domestic manufacturing gets crushed as cheap imports flood in and exports become too expensive. What the PISA team is revealing is a related disease: societies that get addicted to their natural resources seem to develop parents and young people who lose some of the instincts, habits and incentives for doing

homework and honing skills.

By contrast, says Schleicher, “in countries with little in the way of natural resources – Finland, Singapore or Japan – education has strong outcomes and a high status, at least in part because the public at large has understood that the country must live by its knowledge and skills and that these depend on the quality of education.... Every parent and child in these countries knows that skills will decide the life chances of the child and nothing else is going to rescue them, so they build a whole culture and education system around it.”

Or as my Indian-American friend K.R. Sridhar, the founder of the Silicon Valley fuel-cell company Bloom Energy, likes to say, “When you don’t have resources, you become resourceful.”

That’s why the foreign countries with the most companies listed on the NASDAQ are Israel, China/Hong Kong, Taiwan, India, South Korea and Singapore – none of which can live off natural resources.

But there is an important message for the industrialized world in this study, too. In these difficult economic times, it is tempting to buttress our own standards of living today by incurring even greater financial liabilities for the future. To be sure, there is a role for stimulus in a prolonged recession, but “the only sustainable way is to grow our way out by giving more people the knowledge and skills to compete, collaborate and connect in a way that drives our countries forward,” argues Schleicher.

In sum, says Schleicher, “knowledge and skills have become the global currency of 21st-century economies, but there is no central bank that prints this currency. Everyone has to decide on their own how much they will print.” Sure, it’s great to have oil, gas and diamonds; they can buy jobs. But they’ll weaken your society in the long run unless they’re used to build schools and a culture of lifelong learning. “The thing that will keep you moving forward,” says Schleicher, is always “what you bring to the table yourself.”

Our Comment

However, there is a key conclusion to be extracted in applying this important point to Greece and its seemingly hopeless economic plight: it has already prepaid its fees to the privileged club but has simply

been robbed, not only of the receipts, but of the records. Greece had prepaid fully and beyond what it had learned on the earth and in the skies.

But speculative financiers expunged these abundant prepayments to exploit Greece and her great legacy.

In the process of achieving this hoisting

Greece with its own petard – the abuse of the mathematics, logic, and even astronomy and wipe out the prepaid advantages received, cook the books to present not only Greece but society as a whole as a freebooter. That called for an immense amount of aggressive knavery.

By-products of reverse coup have been

the near universal government return to double-entry book-keeping while misapplying everything that ancient Greece taught the world about honest, effective accountability. What has been converted from a tremendously fruitful prepayment into a fictitious debt is being abused to exploit the world. *W.K.*

A Bull Market? Investors Aren't So Sure.

By David Berman, The Globe and Mail, March 14, 2012

For a raging bull market, things sure are quiet out there.

The Dow Jones industrial average notched its fifth straight gain on Tuesday, re-conquering the 13,000-point level and hitting its highest level since December, 2007. The tech-heavy NASDAQ composite index blasted above 3,000 and is now at its highest level since 2000.

These are impressive milestones, to be sure. But a striking number of investors are giving the good times a wide berth.

According to Bloomberg News, recent US stock trading volume has fallen to its lowest level since at least 2008, suggesting there might be a lack of conviction among many investors.

Daily moves within the market also seem muted by recent standards. Tuesday's 1.7-percent gain by the Dow represents its second-biggest jump of the year, but would hardly have caused eyebrows to flutter last year.

Meanwhile, the CBOE volatility index is reflecting a state of complacency. The so-called "fear gauge," which tends to reflect investor anxiety, has pretty much fallen asleep. It fell below 14 early on Tuesday, close to a five-year low and a sharp dive from a level of 45 as recently as October.

If no one is fearful, few are excited either. Stock market strategists, normally a bullish breed, remain cautious in their targets for the S&P 500 and continue to recommend a relatively defensive asset mix, on average.

Many factors are driving stock market gains, including a rebound in financial stocks. US banks jumped on Tuesday after JPMorgan Chase & Co. and Bank of America Corp. passed the Federal Reserve's stress tests of their ability to withstand financial shocks.

The economic backdrop also looks promising. US retail sales rose 1.1 percent in February, impressing observers who noted

that it could drive first-quarter economic growth estimates higher.

"A pickup in 'core' sales [that exclude things like cars and gasoline] would suggest that consumer spending growth is entering a more broad-based, self-sustainable phase of the recovery," Chris Jones, an economist at Toronto-Dominion Bank, said in a note.

And on Friday, the Labor Department reported a solid gain in US payrolls for February, which supported the view that the country's employment situation is also making headway.

The US Federal Reserve Board acknowledged the improving economic conditions in its monetary policy statement on Tuesday, giving investors the best of both worlds: the economy is getting better but the central bank says it will continue to stimulate it anyway with ultra-low interest rates through 2014.

So why haven't markets been swept up in a wave of euphoria that would be reflected in rising trading volumes?

Bearish observers argue that US economic improvements, while impressive, are lagging indicators that don't say much about what's coming. Lakshman Achuthan, co-founder of the Economic Cycle Research Institute in New York and one of the more accurate economic forecasters in recent years, is among the skeptics who argue that leading indicators continue to point to an oncoming recession.

As well, Europe remains a wild card, and not only because its own recession is looming.

Greece has secured another bailout and avoided a messy default on its debt obligations, but few observers believe that Europe's sovereign-debt crisis has been solved.

The yield on Spain's government bonds remains high, indicating continuing nervousness about the country's ability to rein in its deficits without sinking into a deeper economic hole.

As for the stock market's recent mile-

stones, there's a catch: The S&P 500 doubled from its bear market lows in 2009 until last April, but has since gained a mere 3 percent after overcoming last year's steep correction.

Low trading volumes suggest that many investors have concluded that while there's no reason to flee the market, there's no reason to embrace it either. They believe the market's big gains are in the past, not the future.

Our Comment

You can play the evidence in either of two directions and arrive at the doleful answer.

At home there is a clear reluctance of the speculative banks to recognize the key importance of human capital to keep its gaming going. Fail to recognize that and you end up with those in seeming control of the situation prepared to stick out the other fellow's neck, rather than their own.

Once you sense this reluctance to recognize proscription of human capital, you are carried on magic wings to Greece, the homeland of much of our cultural inheritance and that suffers most brutally from this lack of confidence.

It is the cradle where human capital originated, but is encountering immense resistance from the lack of confidence at home and abroad to its having within the last few decades remade their capital a city glorifying its contributions to human capital in its magnificent new museums and parks. But appraisers of what is worth gambling on visibly hold back, worse than that, treats as sticking its neck out, even to a clear and absolutely safe solution.

Advertise the glory of overlooking our cultural debt to Greece by offering special half-price tours, but in hard currencies, and you will solve some of Greece's financial problems as well as contributing to end the churlish disregard of our Greek inheritance.

W.K.

Global Hope: A Plan to End the Worldwide Financial Crisis

By Paul Hellyer

Money is not a guarantee of happiness! But it can help solve many problems that affect our quality of life. These include the provision of job opportunities, adequate health care, public education at a cost that ordinary people can afford, the safety and efficiency of our public infrastructure, our ability to live in reasonable comfort when we retire, and the elimination of poverty in the midst of plenty. So if money is necessary to accomplish all of these things it is absolutely essential to understand what it is and where it comes from.

What Is Money?

Many different things have served as money from time-to-time throughout history, the most common being gold, silver, copper and iron coins. These were predominant until the volume of world commerce outpaced their usefulness as a convenient means of payment. They had to be supplemented by paper money which was much more convenient and easy to handle. Paper then gave way to electronic money – a mere computer entry, that, like paper, has no intrinsic value. What they all have in common is that they were accepted as claims on available goods and services and for the discharge of debts.

Balancing Budgets

Our views on balanced budgets are deeply influenced by our personal experience. If we are spending more than we earn we have two choices. We can spend less, or we can get a second or third job, if possible, to balance our budgets. Borrowing to meet the shortfall can be a temporary expedient but it is not a solution because the debt load will soon catch up with us and make our situation even worse.

Cities and provinces face similar problems. When they have deficits they can reduce services or raise taxes. Often they avoid this painful choice by borrowing. This is a way to postpone the pain until the debt load is so high, and the interest costs so high, that disaster strikes.

Conditioned as we are by these examples, it is not surprising that we believe that federal governments are similarly restricted. But that is not the case. Their situation is

unique. They have the power to create money to balance their budgets and, by extension, to come to the relief of provinces, cities and individual taxpayers. They have the power to solve myriad problems, but they don't exercise that power for the common good. That is the trillion-dollar tragedy!

Who Owns the Patent to Create Money?

By tradition it was the prerogative of the monarch, who was sovereign. As their absolute power was eroded or relinquished, however, the successor republics and constitutional monarchies inherited the prerogatives of the crown. They now have the right to exercise sovereignty on behalf of the people. But they don't do it – except to an insignificant extent. Why not?

It is not an easy question to answer, however, because the problem goes back several centuries, at least, and is seldom talked about in polite circles. Sovereign governments, as a matter of expediency, licenced privately-owned corporations to create money for public and private uses. These institutions (banks) were allowed to take deposits, of course, and to lend these funds, at interest. They were also permitted to create or manufacture money in what became known as the “partial reserve system of banking.” They consistently lent more than they had in their vaults, and got away with it because only a few depositors came in to collect their cash at any one time.

The scam had been legitimized when the Bank of England was chartered to help King William finance his war. Rich people subscribed £1,200,000 in gold and silver, as capital, to found the bank, which then was lent to the government at 8 percent. To show his appreciation, the King allowed the bank to print £1,200,000 in banknotes and lend them at high interest rates. In effect, the bank was allowed to lend the same money twice – once to the government and once to the people.

Over the years, due to the avarice of the banks and the complicity of politicians, that ratio has increased dramatically. In the early days of the 20th century, federally chartered US banks were required to keep gold reserves of 25 percent. That means they were allowed to lend the same money

four times. For many years Canadian banks were required to maintain a cash reserve of 8 percent. That means they were allowed to lend the same money 12½ times.

More recently, thanks to Milton Friedman's irrational flip-flop from being a proponent of 100% cash reserves to the opposite extreme of zero reserves, and the adoption of his ideas by the major central banks of the world in 1974, multiples have increased dramatically – in some cases to as much as 20 to 1 or more. Banks only keep enough cash to meet day-to-day demands for those few customers who go in and request it. Consequently, the existing world financial system is a total fraud – one gargantuan Ponzi scheme. This Ponzi scheme is alarmingly simple. The banks lend the same money to several people or institutions at the same time and collect interest on it from each. What the banks really lend, however, is their credit, and what they take back in compensation for that privilege is debt that must be repaid with interest.

The system works this way. Suppose that you want to borrow \$35,000 to buy a new car. You visit your friendly banker and ask for a loan. He or she will ask you for collateral – some stocks, bonds, a second mortgage on your house or cottage or, if you are unable to supply any of these, the co-signature of a well-to-do friend or relative. When the collateral requirement is satisfied you will be asked to sign a note for the principal amount with an agreed rate of interest.

When the paperwork is complete, and the note signed, your banker will make an entry on the bank's computer and, presto, a \$35,000 credit will appear in your account which you can use to buy your car. The important point is that seconds earlier that “money” did not exist. It was created out of thin air – so to speak.

The banking equation is a kind of double-entry bookkeeping where your note becomes an asset on the bank's books, and the new money that was deposited to your account is a liability. The profit for the bank comes from the difference between the low rate of interest, if any, you would be paid on your deposit if you didn't spend the borrowed money immediately, and the much higher rate you would be obliged to

pay on your note – the technical term is “the spread.”

At some point, however, you have to pay off your note, and any interest owing. And not only you, but everyone else who has borrowed “money” from banks – including governments. Anyone who defaults is in big trouble. Individuals who default will have the assets they pledged as collateral seized by the bank. A government that is in danger of defaulting, may be forced to borrow from the International Monetary Fund, which will then tell that government how to run its affairs including cutting back on services and selling off public assets to the international vulture capitalists.

In reality, then, the banks have turned the world into one humongous pawn shop. You hock your stocks, bonds, house, business, rich mother-in-law or country and the bank(s) will give you a loan based on the value of the collateral.

A world system where almost all the money is created as debt is a perpetual disaster in the making. It is like a giant balloon that the banks pump full of debt. The balloon gets larger and larger until the debt load becomes too heavy to carry, and then it is like a balloon with a pin stuck in it. The system crashes and hundreds of thousands or sometimes millions of innocent people lose their jobs, homes, farms and businesses unnecessarily.

Experience proves that any monetary system based almost exclusively on debt creation is totally insane. The total world debt, mathematically, is always tending toward infinity – and there is no possible way of paying it off. The real money (legal tender) to do so doesn't exist. And the real economy that depends on cash to grow, shifts into low gear whenever the supply of credit money dries up.

Not surprisingly, there have been 25 recessions and depressions in the United States in the last 125 years. In several cases, including the Great Depression of the 1930s and the current Great Recession, the evidence indicates that the meltdown was anticipated by a few insiders who helped trigger the catastrophe.

The collateral damage from the recent meltdown has been staggering. The US Bureau of Labor estimated that 8.4 million jobs were lost in the US alone. Most countries experienced comparable dramatic losses. The reduction in asset values worldwide has been estimated at \$20 trillion US dollars, yet not a single one of the culprits is in jail. You would think that someone would have

had the decency to launch a class action for at least \$10 trillion against every individual and every organization that contributed to the catastrophe in any way. The system is a shambles and must be fixed.

One of the most absurd aspects of the present system is that the banks don't even pay royalties for the use of the people's patent. Even more ridiculous, if governments find themselves in deficit – even if the deficit is due to a recession triggered by the banking system – they have to go cap-in-hand and borrow the shortfall and pay market rates of interest on the loans or bonds. These are invariably higher than the rates private banks pay to the people's bank, the Bank of Canada, when they are short of cash and have to borrow overnight or short-term to balance their books.

It is Worth Addressing a Few Often-asked Questions

Q. If the system is broken beyond repair who is going to rebuild it from the ground up?

A. Only governments, supported by parliaments, legislatures and congresses can do it. They are responsible for tolerating the system that got us into the present hopeless mess, and they are the only ones with the power to set it right.

In many ways the situation now is as bad or worse than it was in the Great Depression. In 1929, US federal debt was only \$17 billion, equal to about 16% of GDP. In 2010 the debt was \$15 trillion, roughly 100% of GDP.

So instead of saving all of their sympathy for the bankers and bond dealers, governments should think about the other 99% of the population for a change – the middle-class that is fast disappearing; the poor who are getting even poorer relatively; the unemployed who are desperate for jobs; the debt-encumbered graduating students who have little to look forward to; and untold numbers of people who are going to die because international medical aid is being scaled back as a budget-cutting measure. So here is one tired old protestor's free advice to governments as to how they could put a human face into economics. The solution is painfully simple.

The Canadian Solution

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

2. Simultaneously the Justice Depart-

ment should be asked for a legal opinion as to whether the share certificates qualify as collateral under Section 38 of the *Bank of Canada Act*. If this takes more than 48 hours, legislation should be introduced to amend the Act to specify their eligibility.

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

4. The above might be adequate to get Canada out of the slump, but if not, a second major infusion of debt-free money might be required until unemployment is reduced by half and the GDP growth rates reach 3½% or 4% annually, minimum.

5. Concurrently with the above, the federal government must introduce amendments to the *Bank Act* to reinstate cash reserves against deposits and to give the Governor in Council (the federal government) the power to set the level of cash reserves from time-to-time. Their elimination in the early 1990s cost the Canadian people billions in lost seigniorage, i.e., the profit from printing the cash. The legislation should allow the Governor in Council to delegate to the Bank of Canada its power to establish the level of cash reserves provided the increase is not less than 5% per annum until 34% cash reserves have been established in 7 years or less.

What Would Make the Money Valuable?

Every job that was saved from the axe at one of the three levels of government and every new job created in the arts, medicine, education, the construction and infrastructure, and so on would mean an increase in the real goods and services available to the economy. And each new job created has a multiplier effect. The process would be exactly the same as from bank-created money with one absolutely essential difference – the money would not have to be paid back with interest! In addition, each job saved and each one created would mean someone paying taxes who would not otherwise be

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in a position to do so. So governments at all levels would be beneficiaries. Business, too, would benefit. Each additional person employed would be a potential market for the goods and services that they provide. So it's a win-win situation.

Aims of the Game

Q. What are the short and long term objectives?

A. The first, and most urgent, is to end the recession/depression, first in Canada and then in the rest of the world. The infusion of \$10 trillion initially, worldwide, and more if necessary, of what might be called government-created, debt-free money (GCM) will accomplish that.

The second objective is to put some semblance of morality into the system and stop privately-owned banks from lending the same money so many times to different people. So I am proposing that bank leverage be reduced from their present high levels. (In Canada the *Bank Act* allows the banks to own assets up to 20 times their capital) to 2 to 1, where interest-bearing assets could not be greater than two times the cash in their vaults or on deposit with the central banks. This could be achieved in seven years or less by federal governments creating enough GCM to keep their economies growing while at the same time buying back about $\frac{1}{3}$ of their outstanding debt.

Once banks have achieved 34% cash reserves, the money-creation function would be shared between government and the private banks 34% GCM, 66% BCM.

The biggest achievement of the whole process, however, would be the democratization of the so-called democracies. At the present time there is not one country in the western world that is master of its own destiny – not Canada, not the United States, not Germany and certainly not any of the countries that are mentioned in the daily news. They are all under the control of the international banking cartel, both financially and politically. It's time for the sham to end and for electors to gain control.

Would this be Inflationary?

Q. Is government-created money inflationary?

A. No more so than bank-created money. It is the total quantity of money in circulation that determines prices, not who prints it. There should actually be less inflation with cash reserve requirements under government control than there has been with the current capital (in)adequacy system.

Principle with Prudence

Q. If GCM is such a good thing, why shouldn't governments create all of the money?

A. I have never been able to convince myself that it is the preferred solution. It would mean that the banks would have to have one dollar in their vaults, or on deposit with the central bank, for every dollar they lent out. This was the solution that Milton Friedman favoured all his life but that he finally abandoned because he concluded it was politically impossible.

I agree that it is politically impossible, but I have never been able to convince myself that it is the best solution even if it were possible. To be blunt, I don't trust politicians with that much power! It is the kind of absolute power that would inevitably lead to corruption. We have already seen the kind of chaos that the bankers have created by abusing their virtually unlimited power. They are directly responsible for both the Great Depression and the current Great Recession. We would not want to see a system where very different but similarly corrupting practices would evolve.

My reservations apply both to the principle of 100% reserves and the potentially negative consequences of its implementation. If banks were suddenly required to convert from near zero cash reserves to 100% they would have to call the majority of their loans and bring on the worst depression the world has ever seen. That is a result that can and must be avoided.

The criteria for any worthwhile reform must include a fast, smooth transition to full employment and the transfer of the ultimate power over interest rates and the rates of growth of the money supply, from unelected, unaccountable bankers to representatives of the people who, in theory at least, should operate the system in the interests of their electors.

This is not just an academic issue. It means that the whole notion of "capital adequacy" has to be abandoned. There is no such thing as "capital adequacy" because it is just a benchmark, someone's best guess as to a line that might reduce the number of bank insolvencies when the next meltdown occurs.

A leverage of 2 to 1 would still leave the banks with sufficient capacity to finance commercial and industrial development, as well as increased consumption. It would deprive them, however, of their ability to engage in all of the risky gambling games they have developed in the last few decades. No money for hedge funds, no money for

exotic derivatives, no money for margin purchases of stocks and bonds, etc. It would be back to basics.

The seemingly miraculous flipside is that the 34% annual creation of new money by governments would allow them to balance budgets at all levels, federal, state and mu-

nicipal, with reasonable tax levels – certainly lower than they are at present.

This ability to get by with lower taxes would be augmented by the fact that very significant amounts of existing debt would be monetized over the period of time banks were allowed to achieve their 34% cash re-

serve levels. With an approximate reduction of sovereign debts by one-third worldwide, the interest components of taxes should be dramatically reduced. This could be augmented if government budgets included provision for perhaps a 1% or 2% a year reduction in outstanding debt as part of

What Two Enemies Share

By Roya Hakakian, The New York Times, February 26, 2012

“If a war were to break out between Iran and Israel, whose side would you be on?” someone asked me on Facebook a few weeks ago, when an Israeli strike against Iran’s nuclear facilities was reportedly imminent.

From early adolescence, at the start of Iran’s 1979 revolution, my loyalties have so often been questioned that I’ve come to think of such suspicions as my Iranian-Jewish inheritance.

In the early 1980s in Tehran, a small group of socialist intellectuals who clandestinely gathered in an apartment every Thursday evening let me into their circle. Those were dangerous years. The government was new to power and violently insecure. Opposition groups were under assault. A war was raging with Iraq, and the United States had imposed sanctions. Our days were spent in queues, as the most basic staples were rationed.

Every member of the group was assigned to follow one of these pressing issues. I, however, was to give weekly updates on the Israeli-Palestinian conflict. Though much younger than the rest, I knew exactly what kind of sympathies I was expected to express. The land had to be returned to the Palestinians, I would declare at the conclusion of each summary. I never mentioned that among the Jews living on that land were my penniless relatives who moved to Israel from Iran after their home and store were torched by an angry mob during the mayhem that preceded the revolution.

Silence and submissiveness were and are the cornerstones of the character of the Iranian Jew. We walked past and away from confrontation. We burrowed in oblivion while living alongside Muslim friends and neighbors. Security and success came to those who blended in best, to those who did not allow any part of their Jewish identity to bleed into the Iranian.

Today, it’s that oblivion that threatens to engulf both peoples. No two nations have

ever been so deeply shaped by each other and yet so unaware of their debt to each other.

At the dawn of the 20th century, Iran was racked by the lawlessness and tribalism that were endemic to the region. By about mid-century, under Reza Shah Pahlavi, Iran had an army and an effective central government, which made subsequent industrialization possible. The credit for a surprising amount of that industrialization goes to the efforts of leading Iranian Jews.

Among them were the Nazarian brothers, who left Iran for Israel in the late 1940s, fought in Israel’s 1948 war of independence, went on to work in construction and, when they had mastered those skills, committed the unthinkable: they returned to their birthplace to begin building there. They became manufacturers of loaders, dumpers, cranes and cement mixers, and made these modern tools of urbanization available and affordable for the first time in Iran. The city of Isfahan, one of Iran’s greatest tourist destinations, whose proverbial grandeur equals “half the world,” became so only when the brothers, in collaboration with top Israeli engineers, built its underground sewer system and rid the city of disease and noxious air.

Another group of brothers, the Elghanians, erected high-rise buildings and highways that inoculated the country against tribal isolation. They also founded Iran’s first advanced plastic factory, which paved the way for other socioeconomic and scientific advances.

But soon after the fall of the shah, the chief of the Revolutionary Courts, Sadegh Khalkhali, executed hundreds of democratic-minded youths who had turned against the new regime. He also executed one Elghanian brother, Habib, on the charges of sowing “corruption on earth” and “espionage for Israel.” Mr. Elghanian’s execution set fire to the Jewish community. Many of Iran’s 100,000 Jews fled, mostly for Israel or the United States, and today only around

20,000 remain.

Just as the majority of Iranians are unaware of this history, so too are Jews unaware of the contributions of Iranians to Jewish survival. All too often, I’ve witnessed American Jews’ look of surprise when, upon meeting me, they learn of the existence of Jews in Iran for the first time, despite the fact that Iran still remains the largest home to Jews in the Middle East outside of Turkey and Israel.

As early as the sixth century BC, Jews, exiled in Babylonia, found a savior in Persia’s Cyrus the Great, who helped them return to Israel. In the early 1940s, Iran became a refuge to Jews, who were this time fleeing Hitler’s army. Thousands owed their lives to the valorous conduct of Abdol-Hossein Sardari, the head of Iran’s diplomatic mission in France, who defied Nazi orders by issuing thousands of passports and travel documents to Jews.

Even when President Mahmoud Ahmadinejad was in top Holocaust-denying form, the descendants of the Polish survivors who chose to settle in Iran were laying flowers upon the graves of their loved ones in what’s known as the Polish Cemetery in Tehran.

Would the two nations allow their rulers to begin a war if they were aware of their depth of indebtedness to each other? By bombing Iran, Israel would be bombing a portion of Jewish history. If that happens, which side I would choose will not be a question. I will be twice destroyed by the two imperfect yet beloved cultures that each make up half of the woman I am.



Editor: And yet so much of human history is a tangle of kinship and dissent, unless we approach it with an open mind and care. The friendly ties of Jews and Iran are documented in the very Bible. Either side should be violating the grandest moments of their own history if they allowed themselves to be incited into murderous warfare.

their new regime.

The new system would be one of checks and balances where governments would be key players in the rate of expansion of their economies, and business cycles, as we have known them, would become a thing of the past. The banking industry would survive as profitable businesses that would be good investments for anyone, including individuals and retirement funds. More good news is that most of the people working in the industry, with the exception of the rogue traders and others who have caused so much trouble, would preserve their jobs.

Why Canada First

Q. Why Canada first?

A. Because it is the easiest. We own the Bank of Canada outright which is the bedrock of a new and sustainable system. So even if the governor of the Bank were inclined to say no to the government's request, he could be over-ruled by the Minister of Finance. In case of dispute the minister can send the governor a letter instructing him to take the essential action. The letter then has to be published in the Canada Gazette so the people can decide which one is working in their interests. The government has a majority in both the Commons and Senate so the whole process of getting Canada back on track could be accomplished in a matter of weeks, or even less if the government really pushed it.

These problems are universal in nature and affect the whole western world. These Canadian solutions could be adapted to other countries.

The United Kingdom nationalized the Bank of England in 1974 so it, at least in theory, should be able to act quickly.

The United States faces a more formidable set of obstacles, including the immense power of Wall Street. Consequently, action required there could include:

(a) A law making it a criminal offense for any bank or other financial institution to give, or offer to give, any cash or other benefit to anyone holding political office or any candidate for potential office.

(b) The Federal Reserve System has to be nationalized. Contrary to public belief, it is owned by member banks and often acts in their best interests at the expense of the public interest.

(c) Because those steps would take time, the Treasury Department should immediately issue \$1½ trillion in Treasury Notes (comparable to the greenbacks issued by Abraham Lincoln) and share the proceeds

with the financially-starved states. Once the FED has been converted to, or replaced by, a Central Bank of the United States it could follow the recommended pattern.

The Euro zone is even more complicated because sovereign governments have given up the right to print their own money. So to maintain the euro, which would be good for the world, and be egg-in-the-face for the two pillars of the international cartel, Wall Street and the City of London (the square-mile in London that claims it is not subject to British law), it would have to change the Lisbon Treaty to give the European Central Bank the right to print money for the member states in proportion to their population. At the same time they would have to democratize the ECB, a tough process but one that is absolutely essential when compared to the alternatives!

The G20

Q. Why hasn't the G20 group of world leaders come up with something positive along these lines?

A. One can only assume that none of the 20 leaders has specialized knowledge of how the monetary system works. This is not surprising in light of the fact that only about one person in every hundred does. Consequently they have to rely on their advisers who are nearly all bankers or economists. The former have a vested interest. They have had the financial playing field all to themselves for generations. The new rules they are now recommending for their industry are more cosmetic than substantive.

Orthodox economists, with a few rare exceptions, have closed minds. They have known that the "balanced budget" approach adopted in the 1930s only succeeded in extending the misery for years. They had 70 years to design a system that would be a firewall against a recurrence, yet with the rarest of exceptions there has been no effort to do so. So today they are recommending the same approach that was taken in the 1930s with the same disastrous consequences. That tells the story. No one seems to have stumbled on to the fact that what is needed is a massive infusive of debt-free or at least interest-free money to dilute the ocean of debt and provide the aggregate demand necessary to provide the millions of unemployed with jobs and renewed hope. It was Einstein who said, "The definition of insanity is doing the same thing over and over again the expecting different results." That is what governments on the advice of their chief economists are doing today.

A medical analogy proves the point. In the mid-19th century a Hungarian doctor, Ignaz Semmelweis, was working in a hospital in Vienna. He became deeply distressed by the high number of women who were dying from childbed fever. One day inspiration struck and he was sure he knew the reason why. So he wrote a paper on it and showed it to his medical colleagues. The doctors were incensed. We are university graduates, they exclaimed, and you are not going to insult our intelligence with your simplistic solutions. They took away his license to practice and drummed him out of the hospital.

Almost two decades passed before first Louis Pasteur and the British scientist Joseph Lister, authenticated Semmelweis' discovery. The problem was that doctors had not been washing their hands when going from cadavers to live patients and from one patient to another. So for almost 20 years hundreds of women died unnecessarily because the educated doctors of the day were too stubborn to consider the possibility they could be wrong. Today we see history being repeated in the field of economics

The Stakes are Too High to Fail

The stakes in the world today are so high that they are virtually incalculable! Many of the earth's seven billion inhabitants will die unnecessarily from starvation or lack of medical treatment – problems that could be greatly alleviated by money and a more general application of the Golden Rule between rich people and poor people, and between rich countries and poor countries.

Equally profound is the absolute necessity for all humanity to cooperate in arresting global warming before it is too late. We probably have 10 years to convert every car, truck, airplane and home from reliance on fossil fuels to clean energy. It is a monumental task but could be done with a mobilization comparable to fighting a war for survival – which it is for people living in many low-lying areas.

Sadly, however, even the necessity for immediate action is not on the political radar now, and won't be as long as nation states are more concerned about deficits and debts than they are about the welfare of their people and the future habitability of the planet which is our common heritage.

The entire financial landscape could be changed in a very short period of time. All that is necessary is for nation states individually and the euro block collectively to exercise their legitimate powers as they

have a profound moral obligation to do. A miracle is possible.

Victor Hugo said: "Nothing is more powerful than an idea whose time has come." That time is now.

Former defence minister Hellyer is author of A Miracle in Waiting: Economics That Make Sense and Light at the End of the Tunnel: A Survival Plan for the Human Species. All profits from the sale of these two books

will be donated to UNICEF.

For a list of recommended books and essays on the urgent subject of monetary reform visit www.victoryfortheworld.net or my website www.paulhellyerweb.com.

US Faces a Tricky Task in Assessment of Data on Iran

By James Risen, The New York Times, March 18, 2012

Washington – While American spy agencies have believed that the Iranians halted efforts to build a nuclear bomb back in 2003, the difficulty in assessing the government's ambitions was evident two years ago, when what appeared to be alarming new intelligence emerged, according to current and former United States officials.

Intercepted communications of Iranian officials discussing their nuclear program raised concerns that the country's leaders had decided to revive efforts to develop a weapon, intelligence officials said.

That, along with a stream of other information, set off an intensive review and delayed publication of the 2010 National Intelligence Estimate, a classified report reflecting the consensus of analysts from 16 agencies. But in the end, they deemed the intercepts and other evidence unpersuasive, and they stuck to their longstanding conclusion.

The intelligence crisis that erupted in 2010, which has not been previously disclosed, only underscores how central that assessment has become to matters of war and peace.

Today, as suspicions about Iran's nuclear ambitions have provoked tough sanctions and threats of military confrontation, top administration officials have said that Iran still has not decided to pursue a weapon, reflecting the intelligence community's secret analysis. But if that assessment changes, it could lift a brake set by President Obama, who has not ruled out military options as a last resort to prevent Iran gaining nuclear arms.

Publicly and privately, American intelligence officials express confidence in the spy agencies' assertions. Still, some acknowledge significant intelligence gaps in understanding the intentions of Iran's leaders and whether they would approve the crucial steps toward engineering a bomb, the most covert aspect of one of the most difficult intelligence collection targets in the world.

Much of what analysts sift through are shards of information that are ambiguous or incomplete, sometimes not up to date, and that typically offer more insight about what the Iranians are not doing than evidence of what they are up to.

As a result, officials caution that they cannot offer certainty. "I'd say that I have about 75 percent confidence in the assessment that they haven't restarted the program," said one former senior intelligence official.

Another former intelligence official said: "Iran is the hardest intelligence target there is. It is harder by far than North Korea.

"In large part, that's because their system is so confusing," he said, which "has the effect of making it difficult to determine who speaks authoritatively on what."

And, he added, "We're not on the ground, and not having our people on the ground to catch nuance is a problem."

Iran says its nuclear program is for peaceful civilian purposes, but American intelligence agencies and the International Atomic Energy Agency have picked up evidence in recent years that some Iranian research activities that may be weapons-related have continued since 2003, officials said. That information has not been significant enough for the spy agencies to alter their view that the weapons program has not been restarted.

Mossad, Israel's intelligence service, agrees with the American intelligence assessments, even while Israeli political leaders have been pushing for quick, aggressive action to block Iran from becoming what they describe as an existential threat to the Jewish state.

"Their people ask very hard questions, but Mossad does not disagree with the US on the weapons program," said one former senior American intelligence official, who, like others for this article, would speak only on the condition of anonymity about classified information. "There is not a lot of dispute between the US and Israeli intelligence communities on the facts."

In trying to evaluate the potential perils

of Iran's nuclear program, the United States' spy agencies have spent years trying to track its efforts to enrich uranium and develop missile technology, and watching for any move toward weaponization – designing and building a bomb.

Hunting for signs of the resumption of a weapons program is more difficult than monitoring enrichment and missile-building activities, both of which require large investments in plants, equipment and related infrastructure. American intelligence officials said that the conversations of only a dozen or so top Iranian officials and scientists would be worth monitoring in order to determine whether the weapons program had been restarted, because decision-making on nuclear matters is so highly compartmentalized in Iran.

"Reactors are easier to track than enrichment facilities, but obviously anything that involves a lot of construction is easier to track than scientific and intellectual work," said Jeffrey T. Richelson, the author of *Spying on the Bomb*, a history of American nuclear intelligence. "At certain stages, it is very hard to track the weapons work unless someone is blabbing and their communications can be intercepted."

The extent of the evidence the spy agencies have collected is unclear because most of their findings are classified, but intelligence officials say they have been throwing everything they have at the Iranian program.

While the National Security Agency eavesdrops on telephone conversations of Iranian officials and conducts other forms of electronic surveillance, the National Geospatial-Intelligence Agency analyzes radar imagery and digital images of nuclear sites. Outside analysts believe high-tech drones prowl overhead; one came down late last year deep inside Iranian territory, though American officials said they lost control of it in Afghanistan.

Meanwhile, clandestine ground sensors, which can detect electromagnetic signals or radioactive emissions that could be linked to covert nuclear activity, are placed near

suspect Iranian facilities. The United States also relies heavily on information gathered by inspectors with the International Atomic Energy Agency who visit some of Iran's nuclear-related facilities.

But collecting independent human intelligence – recruiting spies – has been by far the most difficult task for American intelligence. Some operational lapses – and the lack of an embassy as a base of operations ever since the hostage crisis three decades ago – have frequently left the CIA virtually blind on the ground in Iran, according to former intelligence officials.

In 2004, for example, the CIA put a whole network of Iranian agents in jeopardy after a technological mistake by an agency officer, according to former intelligence officials.

In 2005, a presidential commission that reviewed the prewar failures of the intelligence on Iraq's supposed weapons programs faulted American intelligence on Iran, saying it included little valuable information from spies.

More recently, the CIA suffered a setback in efforts to question Iranian exiles and recruit nuclear scientists. Two years ago, agency officials had to sort through the wreckage of the strange case of Shahram Amiri, an Iranian scientist who apparently defected to the United States in 2009 and then returned to Iran in 2010 after claiming he had been abducted by the CIA.

His case is eerily similar to that of Vitaly Yurchenko, a KGB officer who defected to the United States in 1985 and went back to the Soviet Union later that year, claiming he had been drugged and kidnapped by the CIA.

Like Mr. Yurchenko, Mr. Amiri's case has provoked debate within the agency about whether he was a genuine defector, and whether any of the information he provided could be trusted.

The United States and Israel share intelligence on Iran, American officials said. For its spying efforts, Israel relies in part on an Iranian exile group that is labeled a terrorist organization by the United States, the Mujahedeen Khalq, or MEK, which is based in Iraq. The Israelis have also developed close ties in the semiautonomous region of Kurdistan in northern Iraq, and they are believed to use Kurdish agents who can move back and forth across the border into Iran.

American intelligence officials, however, are wary of relying on information from an opposition group like the MEK, particularly

Continued on page 17

Odysseus Lies Here?

By Nicholas D. Kristof, The New York Times, March 11, 2012

Cephalonia, Greece – For a nation like ours that is seeking its way home from 10 years of war, maybe there's a dash of inspiration in the oldest tale of homecoming ever – *The Odyssey* – and in new findings that shed stunning light on it.

Homer recounts Odysseus's troubled journey back from a military entanglement abroad, the decade-long Trojan War. *The Odyssey* is a singular tale of longing for homeland, but it comes with a mystery: Where exactly is Odysseus's beloved land of Ithaca?

Homer describes Odysseus's Ithaca as low-lying and the westernmost island of four. That doesn't fit modern Ithaca, which is mountainous and the easternmost of the cluster of islands in the Ionian Sea.

A British businessman, Robert Bittlestone, working in his spare time, thinks he has solved this mystery – and his solution is so ingenious, and fits the geography so well, that it has been embraced by many of the world's top experts. Gregory Nagy of Harvard University and Anthony Snodgrass of Cambridge University both told me that they largely buy into Bittlestone's theory. Peter Green, an eminent British scholar, wrote in *The New York Review of Books* that Bittlestone is “almost certainly correct.”

Bittlestone, who loves the classics but has no special qualifications, noted that the westernmost area in this cluster of islands is Paliki, a peninsula that sticks out from the major island of Cephalonia. He wondered: What if in ancient times the isthmus connecting Paliki to the rest of Cephalonia were submerged? In that case, Paliki would be an island fitting Homer's description.

With that insight, Bittlestone found a 2,000-year-old account by a geographer, Strabo, who described the isthmus as so low that it periodically was under water. Moreover, the collision of two tectonic plates is forcing the land mass up. A single earthquake in 1953 raised Paliki another 2 feet above sea level.

“Everybody tends to look at a landscape and assume that it's always been like that, but in this part of the world that's not true,” Bittlestone told me as he gave me a tour of Paliki.

John R. Underhill, a British geoscientist who is president of the European Asso-

ciation of Geoscientists and Engineers, has overseen a geological examination of Paliki. Underhill says that his core samples and other research, so far, support the idea of an ancient channel separating Paliki, although the study is continuing.

There are still plenty of skeptics. Some experts still are partial to modern Ithaca as the homeland of Odysseus. Others favor the main part of Cephalonia, where an excavation has turned up the ancient tomb of a major king. For that matter, it's not even clear that there really was an Odysseus; maybe he and Ithaca were imaginary.

Then again, the descriptions of Homer's Ithaca are detailed and offer terrific matches with Paliki. Bittlestone led me to a beach on the north end of Paliki where he believes Odysseus landed on his return from his long journey home from Troy. Odysseus's last stop before home was probably Corfu, and anyone sailing from Corfu to Paliki would likely land on this beach. It also matches Homer's description of “precipitous promontories” that jut into the sea.

Yes, I know this is a flight of fancy. But it was magical to stroll the beach and imagine Odysseus landing here.

One shortcoming of this beach is that Homer describes a great cave nearby with two entrances, and there is none now. “Is there a silver bullet test as to whether this is where Odysseus landed?” Bittlestone mused. “Yes, a silver bullet would be to find the cave.”

Geologists are investigating a nearby limestone hill, a kind that is home to caverns elsewhere. The surface of the hill has been covered with more than 200 feet of rubble from landslides, but they are hoping to find the cavern buried underneath.

“You often find things in caves,” Bittlestone said, adding with a twinkle that his dream is to find the cave sheltering an early manuscript of Homer's epics.

From the beach, he led me to an area that matches the description of the ancient pig farm (now a goat ranch) where Odysseus rested. A bit beyond is Kastelli, which Bittlestone describes as “a candidate hill for the palace of Odysseus.”

Professor Snodgrass examined the hill, finding ancient fortifications and shards of pottery, and he confirms that it is a prehistoric site.

There's more that I don't have space for.

Bittlestone has written a 598-page book, *Odysseus Unbound*, published by Cambridge University Press, that explores the evidence for Paliki as Homer's Ithaca.

The Odyssey is particularly relevant to us today as we recover from our own decade of war. How sweet it would be to discover, after three millennia, that Odysseus was not imaginary but a product of these rocky hills, olive trees and beaches on an obscure Greek peninsula – an example of how the ordinary can inspire the extraordinary.

Our Comment

If it were only as sweetly simple as Nicholas D. Kristof has concluded. However, the real fact of the case is that whatever the contemporary leaders of Greece pretend, ancient Greece paid her “dues” to the rest of humanity well in advance by teaching them – all of us, not just the Jewish God's chosen people – everything that the human mind had to learn about logic, mathematics, the reasons why laws cannot just be turned around and still remain valid – as governments throughout the world have relapsed into assuming – a catastrophic acceptance of speculative greed, that increasingly threatens to wipe out humanity.

For with what ancient Greece taught humanity, the marvels achieved by science and statesmanship would never have been achieved, nor then buried with such cynicism and violence that the present governments of Greece has been bamboozled into forgetting that they have fully prepaid their dues for acceptance as uniquely special benefactors of humanity.

Let me be specific about humanity's neglected debt to the crucial prepaid contributions of Greece. Socrates, the founder of the logical use of the human mind, wrote nothing, but merely asked basic questions, that unlocked the potential powers of the

Dividends from page 2

chopped off. What was once definitely their – our heritage from ancient Greece must be carefully reconsidered and put to work again. We must begin by reclaiming our intellectual and moral debt to the legacy of ancient Greece, and draw on it to get out of the impossible position our gamblers have gotten the world into. Restoration of Athens into a city worthy of its past, was a key step in that program. Carefully choosing fiscal responsibility will be a good beginning, and an invaluable course on how to run our own affairs in these needlessly straitened circumstances. *W.K.*

human mind – with such drastic results that he was put to death by those threatened by so dangerous a habit.

One of his many followers – Plato – recognized no restrictions on the number of necessary enquiries by the human mind. A significant question in any questioning cannot just be reversed to obtain a valid answer, but must be bounced off its effects in any relevant directions. Indeed, they even included the effect of the phase of the moon.

Iran from page 16

after their experience in Iraq of relying on flawed information provided by the Iraqi National Congress, an exile group run by Ahmad Chalabi.

“I'm very suspicious of anything that the MEK provides,” said David A. Kay, who led the CIA's fruitless effort to find weapons program in Iraq. “We all dealt with the Chalabis of the world once.”

Just as in 2010, new evidence about the Iranian nuclear program delayed the National Intelligence Estimate in 2007, the last previous assessment. Current and former American officials say that a draft version of the assessment had been completed when the United States began to collect surprising intelligence suggesting that Iran had suspended its weapons program and disbanded its weapons team four years earlier.

The draft version had concluded that the Iranians were still trying to build a bomb, the same finding of a 2005 assessment. But as they scrutinized the new intelligence from several sources, including intercepted communications in which Iranian officials were heard complaining to one another about stopping the program, the American intelligence officials decided they had to change course, officials said. While enrichment activities continued, the evidence that Iran had halted its weapons program in 2003 at the direction of the supreme leader, Ayatollah Ali Khamenei, was too strong to ignore, they said.

One former senior official characterized the information as very persuasive. “I had high confidence in it,” he said. “There was tremendous evidence that the program had been halted.”

And today, despite criticism of that assessment from some outside observers and hawkish politicians, American intelligence analysts still believe that the Iranians have not gotten the go-ahead from Ayatollah Khamenei to revive the program.

“That assessment,” said one American official, “holds up really well.”

Today there is hardly a single government in this shrinking world that dares to do anything further than assume a simple turning-around of a vital question raised by official policy for an adequate answer.

With a most disturbing exception – when the question has to do with atomic weapons. It is no stretch of the imagination to identify in this state of affairs a serious threat to the survival of humanity.

W.K.

Our Comment

It is most amazing how far our self-declared sea-captains have gotten without map or compass. We quote: “Publicly and privately, American intelligence officials express confidence in the spy agencies' assertions. Still, some acknowledge significant intelligence gaps in understanding the intentions of Iran's leaders and whether they would approve the crucial steps toward engineering a bomb, the most covert aspect of one of the most difficult intelligence collection targets in the world.

“Much of what analysts sift through are shards of information that are ambiguous or incomplete, sometimes not up to date, and that typically offer more insight about what the Iranians are not doing than evidence of what they are up to.”

Strange, is it not, that these concerns about gaps in available information should be put in deep dark shadow when compared to their own complete close-mindedness to our crucial inheritance from Greece.

In a peanut shell it is this: the great heritage that we have from Greece has to do with how to reason. In our current world, governments have relapsed into using their minds with what could be described as an almost touching innocence if it were not sign of minds slammed shut.

But ancient Greece taught us how to use our intelligence to far better effect – beginning with Socrates who wrote nothing but just asked questions so disturbing that he was put to death. But he left a great many followers who opened up the powers of the human mind.

Plato taught that to use our mind properly we must move it from where we stand in a variety of directions, and even take in the phase of the moon.

Using our minds that way we would grasp the key importance of human capital, education, security. That is the great heritage of Greece, trodden underfoot today.

W.K.

Public Exit from Goldman Raises Doubt Over a New Ethic

By Nelson D. Schwartz, *The New York Times*, March 15, 2012

Behind closed doors, it is a conversation that has been taking place with increasing urgency on Wall Street in recent years: making money is good, but is making more money always better, even if it comes at the expense of clients?

That question is now out in the open, exposed anew by an Op-Ed article in *The New York Times* on Wednesday by Greg Smith of Goldman Sachs. It could re-ignite public suspicion that the culture of Wall Street has swung so sharply to the short-term side of the ledger that clients have not been coming in first, or even second, but dead last.

Even bankers who disagreed with Mr. Smith's conclusions said the piece had struck a chord because it stirred up their own doubts, especially in the wake of the financial crisis. It is a sign of this anxiety that since then, one giant firm after another has publicly proclaimed it is putting clients first.

That much-advertised claim stands in sharp contrast to the world Mr. Smith depicted.

At meetings at Goldman, he wrote, "not one single minute is spent asking questions about how we can help clients," Mr. Smith wrote. "It's purely about how we can make the most possible money off of them. If you were an alien from Mars and sat in on one of these meetings, you would believe that a client's success or progress was not part of the thought process at all."

He warned, "People who care only about making money will not sustain this firm – or the trust of its clients – for very much longer."

Mr. Smith's criticism, much more than stories about bonuses or brickbats from the likes of Occupy Wall Street, could be especially painful for Wall Street now. Memories are still fresh of the Securities and Exchange Commission lawsuit filed in April 2010 accusing Goldman of fraud, after it sold clients complicated mortgage backed securities that later soured, and never mentioned that it had bet against them.

The parade of senior Goldman executives who testified before Congress after the case arose seemed to put a public face on what had been a broader sense of distrust of Wall Street in the aftermath of the financial

crisis, focusing ever more attention on a firm whose patriarchs have always been adamant about having high standards.

Wall Street, of course, has always sought profits – but if greed were to be countenanced, it should be long-term greed, not short-term greed, in the words of Gus Levy, who led Goldman Sachs in the 1960s and '70s. With long-term greed, money was made with clients, not from them.

Nostalgic as it might seem, seasoned players at Goldman and other top-tier firms insist there was a time when long-term greed was the order of the day, at least publicly and often privately, too. But over the last 25 years, as the incentive structure metamorphosed, longtime bankers and scholars say, Wall Street has been remade in ways that Mr. Levy would hardly recognize.

The shift in incentives has come after the evolution of the business itself, industry insiders and other experts said. Partnerships, where the leaders of the firm had their own fortunes on the line, became publicly traded giants. Proprietary trading evolved into a Midas-like source of money, challenging investment banking and client relationships. And with a free hand, thanks to Washington, investment banks could take on ever more risk, amplified by debt.

"When these firms changed from partnerships to public companies, the ethos changed dramatically," said Charles M. Elson, a professor of corporate governance at the University of Delaware. "The notion of client loyalty went out with the old structure. And as these became public companies, clients looked for the cheapest deal, and the firms looked for as many clients as possible."

With the rapid growth of proprietary trading beginning the 1980s, as firms used their own capital to make bets, a short-term mentality came to dominate firms, according to Mr. Elson. "You make a much bigger buck on a transaction than on the long-term relationship," he said. "You have profiteers as opposed to advisers."

Compensation followed. Before 1990, pay for the chief executives of financial firms were on par with those of chief executives of the largest traded companies, or even slightly lower.

By 2005 the pay was roughly 250 percent bigger on average, said Ariell Reshef, a

professor of economics at the University of Virginia. Broadly speaking, between 1980 and 2005, bonuses and salaries in finance increased 70 percent more than average pay elsewhere.

To be sure, longtime bankers say, it is not as if short-term greed was absent in the past. It has been around since traders gathered under a buttonwood tree and founded the New York Stock Exchange in 1792. But the astounding size of Wall Street's biggest firms – and the fortunes to be made – have altered the calculus.

"When you've been around 40 years, you always say things were better back then," said David Dreman, a longtime money manager who oversees \$5 billion in assets. "But it is different now. There have been enormous changes on Wall Street."

"It doesn't matter which bank – they sell the client what they make the most money on," said Mr. Dreman. "There's always been some of it but it's much more prevalent than it ever was. Unless the client is very sophisticated, the client gets clipped."

Other Wall Street insiders insisted Mr. Smith had it wrong, arguing that conflicts have always been part of the landscape, and that clients should be sophisticated enough to know that. "These aren't dumb people," said one billionaire hedge fund manager who insisted on anonymity because he didn't want to draw public attention.

The crucial element, he said, is to anticipate the conflicts, and if need be, use them to your advantage. "Find the one that has the biggest conflict and get him on your side," he said. "You want somebody who understands both sides. 'The guy on both sides of the equation will find a deal to get the deal done,'" he added. "Is he getting his bread buttered on both sides? Who cares? Just get the deal done."

Wall Street could now pay a steep price for short-term thinking, experts said, even if salaries and behavior have not caught up with public disillusionment. Hemmed in by new regulations, the big banks are being forced to give up proprietary trading. Fewer graduates of elite Ivy League schools are choosing careers in finance. And the anger is spreading, seen not only in the Occupy Wall Street protests but also in the increasing distrust among the most affluent consumers.

Over all, the percentage of people who have little or no faith in the fairness of investment companies rose to 41 percent in 2011 from 26 percent in 2008, according to Yankelovich Monitor 2011. Only credit card companies, corporate chief executives, the federal government and lawyers fared worse. Even banks and insurance companies did better.

Nor is the outrage a matter of populist revolt. The feelings were identical in households whether they earned \$100,000 or \$50,000.

While Mr. Smith's career at Goldman is over, he insisted it was not too late for his former firm and the rest of Wall Street.

"Make the client the focal point of your business again," he wrote. "Without clients you will not make money. In fact, you will not exist. Weed out the morally bankrupt people, no matter how much money they make for the firm. And get the culture right again, so people want to work here for the right reasons."

Our Comment

The lesson to be extracted from the item on corporate greed is that it is unrestricted by the size of any human gut or brain cell, and unless drastic measures are taken, the good Lord above the clouds will have to start worrying about His underpants. That is what the current plight of Greece should be teaching us, were it not so utterly expunged.

To make room for human capital, we must recognize the key importance of our human inheritance. And just as survival space is increasingly denied the crucial human inheritance – health, education, well-being, being treated as a wasteful luxury that interferes with the speculative greed that has taken over. Hence the unique heritage of Greece itself has been denied and demeaned into an intolerable encroachment on speculative finance's insatiable appetites.

And the latter, for lack of room for speculative expansion, is inevitably crumbling. Recognize the pitiful humanity of greed itself, and the glorious legacy of Greece will be recognized for what it is – a reminder that we must preserve survival space for the human heritage. *W.K.*

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Living Alone Is a Perk for Those Who can Afford It

By Zosia Bielski, *The Globe and Mail*, February 17, 2012

Exile, writes Eric Klinenberg in *Going Solo: The Extraordinary Rise and Surprising Appeal of Living Alone*, used to rank among the most severe forms of punishment, surpassed only by execution.

Increasingly, living alone is a perk of those who can afford it: "It allows us to do what we want, when we want, on our own terms," writes the author, a sociology professor at New York University who interviewed 300 singletons for the book.

"The collective project of living alone grew out of the culture of modern cities, not the monastic or transcendental traditions," writes Mr. Klinenberg, pointing to "adult playgrounds" like gyms, bars and coffee shops that let urbanites mingle, even as they enjoy their own spaces.

Today, 31 million people live alone in the United States – that's 28 percent of all households, compared to just 9 percent in 1950. The "remarkable social experiment" of going solo now helps define modern culture, argues the author, who spoke to *The Globe and Mail* from New York.

What's the difference between "singletons" as you call them, and singles?

Singles are people who are not married. In the United States, it's about 49 percent of the population now. Singletons, as I define them, are people who live alone – 32.7 million according to the latest census estimates. They account for about 28 percent of American households. We have to make really clear distinctions between living alone and being alone, and also between living alone and being lonely. They're very different kinds of things.

"Solitude can be experienced alone or with others": You're quoting Sasha Cagen, founder of Quirkyalones, a movement that advocates for people who enjoy being single.

That's right. Many people that we interviewed said there was nothing more lonely than living with the wrong person.

Loneliness expert John Cacioppo talks about that too, the lack of time for oneself in "barried marriages."

There's a concept that sociologists are using more these days called the "greedy marriage." Marriages can be really good for you, but the relationship plus the domestic

responsibilities that often come with it can also pull you away from other things. I say this as a guy who's married with two young children. I'm not against marriage and I'm not advocating living alone. What I'm trying to do is understand this incredible social change, how it happened and what it means for us.

You argue that we use wealth to "separate from each other" in solo living arrangements, and you point to an intensifying "cult of the individual."

It used to be the case that you really had to justify to yourself and to people around you why you wanted to get divorced. Today, in many communities, if you're married and it's not going well you have to justify staying in it. People of my generation and younger grew up in the throes of the divorce revolution.

A lot of the younger people I spoke to said they didn't feel like they'd be capable, or that it would be irresponsible of them to get married before they really knew they could take care of themselves. I'm not saying people want to be alone or be isolated. They want to go out, meet new people and have sex. They just don't want to live with the wrong people.

What do you say to critics who see the trend as a threat to family values, who suggest that it makes us self-absorbed?

The fact that people live alone for long stretches of their lives and then have successful marriages when they're older suggests that is not a compelling argument. The fact that people who live alone are more likely to volunteer in civic organizations really contradicts that message. The fact that people living alone are more likely to spend time with friends and neighbours should trouble this idea that singletons are selfish.

Who suffers more of the stigma: men or women? The spinster? The cat lady?

Yes, women get more of the stigma. A particularly difficult moment is when they reach their mid-30s to early 40s and have to make decisions about whether they'd like to have biological children. People see friends and family members who project onto them their own anxiety about their situation. It's very unusual for men to express real concern about waiting too long before getting married.

You point out that living alone is a “cyclical condition, not a permanent one.”

No one’s making a vow to stay single. They’re moving in and out of different conditions.

Yet when Ms. Cagen announced that she was ready for a partner, some Quirkyalones accused her of abandoning the cause.

I don’t think she should have to be committed to being single or living alone for the rest of her life. She’s dealing with the fact that there is stigma. In a 1957 study, 80 percent of the Americans surveyed by a University of Michigan psychologist said that adults who wanted to stay unmarried were either sick, neurotic or immoral. Obviously our attitudes have changed quite a lot since then, but there’s still some stigma.

The fastest-growing demographic for solo living is 18 to 34, you write. What about these boomerang kids who can’t afford to live on their own, moving back in with mom and dad?

In the last couple of years, there has been a slowing and a slight downtick, but it’s surprisingly low: It went from 12 percent of all young adults living alone to 11 percent. In 1950, about 1 percent of young adults had places of their own.

You write that Thoreau’s mom swung by Walden Pond regularly with dinner.

Certainly different than the mythology, isn’t it?

We have this immense anxiety about the fate of family members who live unaccompanied. What happens when all those singletons get old and infirm, with family far away?

We have really failed to prepare for this incredible social change and I worry about the fate of people who are not just alone but isolated. We’re doing much less for them than we should be. I wish we had invested more in places that allow older people to live alone but also be connected to others. The book ends in Stockholm, which does a

much better job of that.

Sixty percent of people in Stockholm live alone. You write about one residence there called Collective House, conceived in the 1930s by planners and feminists for working women living alone, with daycare, laundry service and a restaurant in the building.

There were also pneumatic tubes inside the building that allow the kitchen to shoot individual meals up to residents. If they want to stay home, they can. The idea was that, as a society, they’d support people who want to live alone.

You also mention a newer communal residence for people over 40 whose “needs are no longer dictated by family and children.” Sounds like a premature retirement home.

It’s a way of preventing people from moving into these geriatric ghettos, which are really undesirable. This is a place that allows people to have individual apartments, but also there’s a common kitchen and people have to volunteer to cook a few days every month. There are exercise classes, a garden, a library and movie nights.

In New York, there used to be hotels like Barbizon that were just for young women moving into the city. That has disappeared. In Amsterdam today there’s one collective housing project that [New York writer] Kate Bolick talks about where women can move in, so long as they’re between the ages of 35 and 65.

The idea is that people can provide each other with community, companionship and support when they need it. It won’t turn into a singles’ party scene or a place where people go to die.

Our Comment

Marshall McLuhan covered the situation with the insight of genius in his dictum “The medium is the message.” That and his appreciation of the concept of human capital, which I was engaged in, brought us

together like hand and glove. He had with his genius for mating language to essential thought become a financial success that could not fail to arouse jealousy amongst some academic colleagues. Restrictions had already begun on what professors at the University of Toronto could write about, but the commercial and intellectual success of McLuhan made him untouchable. The university actually assigned him a former greenhouse to which he invited independent thinkers who had caught his attention to develop their unorthodox views.

I recollect the highly satisfying discussions that ensued when my turn came. That great mind, however, was not immune to decay, and when that started, the effect was tragic. I was a member of the Canadian Broadcasting Panel that discussed his passing and achievements at the request of his family. His American literary agent was another. Some of his university colleagues could not hide their discomfort with the worldly and intellectual legacies of their late colleague. The collapse of so great a thinker was a tragedy beyond words. It is with joy that I note the present revived interest in the great and brilliantly expressed thinking of my unforgettable friend and colleague, Marshall McLuhan.

W.K.

Living Alone in Canada: A Snapshot

Percentages of Canadians (aged 15 and older) who lived alone:

2006: 11 percent

2001: 10 percent

1951: 2.6 percent

By sex (2006)

Men 1,481,770

Women 1,845,280

By Province (2006)

Alberta: 9 percent

British Columbia: 11 percent

Manitoba: 11 percent

New Brunswick: 10 percent

Newfoundland and Labrador: 8 percent

Northwest Territories: 7.5 percent

Nova Scotia: 11 percent

Nunavut: 5 percent

Ontario: 9 percent

Prince Edward Island: 10 percent

Quebec: 13 percent

Saskatchewan: 12 percent

Yukon Territory: 13 percent

Source: Statistics Canada