THE JOURNAL OF THE COMMITTEE ON MONETARY AND ECONOMIC REFORM

COMER

$3.95 Vol. 25, No. 6 • JUNE 2013

CONTENTS

Publications Mail Agreement No. 41796016

CHAPTER 17 OF A NEW BOOK BY ELLEN H. BROWN, *THE PUBLIC BANK SOLUTION*

The Canadian Movement for Monetary Sovereignty: Rise and Fall

"Once a nation parts with the control of its currency and credit, it matters not who makes the nation's laws. Usury, once in control, will wreck any nation." – *William Lyon Mackenzie King, Prime Minister of Canada, 1935*

The government of Canada devised its innovative system of state-bank-created credit in the 1930s, and drew freely from it for nearly four decades of unusual prosperity, growth and development. Then in the 1970s, Canada joined the Basel Committee of G10 countries at the BIS. A change in economic policy followed that cut the government off from its own state bank funding, subjecting it instead to the skyrocketing interest rates of private international credit markets. Canada is now struggling with debt and deficits along with most of the rest of the Western world.

While Australia's innovative central bank was being reined in by the City of London in the 1930s, Canada's was just getting started. Before 1935, the Canadian government did not have a central bank. It had to borrow from private banks that issued their own banknotes, with the country's largest private bank, the Bank of Montreal, serving as the government's de facto banker.[1] But in the throes of the Great Depression, this private system had failed. The money supply had collapsed, forcing businesses to close and unemployment to soar. The banks were blamed for making conditions worse by failing to extend loans; while for the government, a national debt to private banks meant a mounting interest burden.

By the eve of the depression, interest on Canada's public debt had reached an alarming one-third of government expenditures; and many officials believed that the government needed a central bank to generate its own money. In 1933, a Royal Commission was put together to look into creating such a bank. A major debate then ensued over whether it should be public or private.

William Lyon Mackenzie King, elected prime minister in 1935, thought the bank should be public. He admonished:

"Until the control of the issue of currency and credit is restored to government and recognized as its most conspicuous and sacred responsibility, all talk of the sovereignty of Parliament and of democracy is idle and futile."[2]

How different times were then. Imagine a Canadian prime minister or US president saying that today!

Continued on page 2

COMER Email Update

COMER is updating its confidential email contact list to better inform members and Economic Reform subscribers of relevant, late-breaking news and local events.

Interested parties are encouraged to send a message immediately to "COMER Email Update" cnic@on.aibn.com from their preferred email account. As ever, all preferences will be respected.

FOUNDING EDITOR
John Hotson 1930–1996

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

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

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

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

***Economic Reform* Subscription only:**
One year, 12 monthly issues, in Canada CDN$30, Foreign CDN$40

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

***ER* Back Issues:** CDN/US$4, includes postage; additional copies same issue, $2; additional issue same order, $3. Send requests for back issues to Herb Wiseman, 69 Village Crescent, Peterborough ON K9J 0A9.

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

PRINTING AND DISTRIBUTION
Watt Solutions Inc., London

Printed in Canada on recycled paper.

Sovereignty *from page 1*

Gerald McGeer and the Model of Guernsey

Another zealous advocate for a public central bank was a Canadian mayor and Member of Parliament named Gerald Gratton McGeer. In *The Conquest of Poverty* (1936), McGeer wrote:

"Ever since the passage of the *English Bank Act* of 1844, the creation, issuance, and the regulation of the circulation of the current medium of exchange, though being duties that constitute the most conspicuous and sacred responsibilities of government, have been in large measure delegated in blind faith and absolute confidence to bankers and financiers.

"The complete collapse of the economic structure under banker management… proves that the private control of credit is fundamentally unsound….

"Necessity now compels all to recognize that the creation and issuance of the medium of exchange, the monetization of public credit, the circulation of the medium of exchange, and the general supervision of the monetary system must be restored to government."

McGeer made lengthy presentations to the Ottawa Common Banking Committee, clarifying for bankers, economists and legislators how well a national currency issued by a publicly-owned bank could work. For a model, he cited the British Channel Island state of Guernsey, which had been issuing its own currency to pay for public works since 1820.

New Zealand researcher Kerry Bolton summarized the Guernsey experience in an August 2011 article like this:

"Guernsey's banking system was prompted by dire need, the island being in serious financial trouble from the beginning of the 19th Century. Guernsey's town was undeveloped, the roads were cart-tracks, and there was no prospect for employment….

"[I]t was the need to upgrade the Public Market that prompted a committee to report back with a solution in 1816 to issue £6000 worth of States Notes. The committee also recommended that the States Notes be used not only for the new market, but also for Torteval Church, road construction, and other State expenses. The notes' issue was started in 1820, and was followed by other issues, until by 1837 £55,000 of the Notes were in circulation, debt-free and having created prosperity and development, which in turn stimulated visitors to the island."[3]

It was all going well, says Bolton, until two local banks flooded Guernsey with their own notes to undermine the State Notes. The Island responded by agreeing to limit the issue of its own Notes. But with the outbreak of war in 1914, the State Notes were restarted; and they continued to circulate alongside British Pounds Sterling thereafter. Despite that influx of new money, writes Bolton, "there has never been inflation, and the prosperity of the island continues as it has since 1820, operating on minimal taxation."

What a Nationalized Central Bank Can Do

The Bank of Canada opened in 1935 under private ownership; but in 1938, the *Bank Act* was amended to make it a publicly-owned institution. According to William Krehm in *A Power Unto Itself: The Bank of Canada*, the 1938 nationalization allowed the central bank to create the money to finance federal projects on a nearly interest-free basis. The bank could also lend to the provinces. The interest it collected went back to the federal treasury.[4]

In creating the credit to finance federal, provincial, and municipal projects, the Bank of Canada was doing what private banks do every day; but it was doing this in the public interest. In parliamentary hearings in 1939, Graham Towers, the first governor of the Bank of Canada, confirmed that banks routinely create credit with accounting entries. When asked by Gerald McGeer whether banks create the medium of exchange, Towers replied:

"That is right. That is what they are there for…. That is the banking business, just in the way that a steel plant makes steel. The manufacturing process consists of making a pen-and-ink or typewriter entry on a card in a book. That is all."[5]

In another interesting exchange, McGeer asked Towers:

"Q: Would you admit that anything physically possible and desirable can be made financially possible?

"A: Certainly.

"Q: Will you tell me why the government with power to create money should give that power away to a private monopoly and then borrow that which Parliament can create itself, back at interest?

"A: Now, if Parliament wants to change the form of operating the bank system, then certainly that is within the power of Parliament."[6]

For over three decades, the Bank of Canada used its lucrative credit-creating tools for the benefit of the public. The Canadian government funded infrastructure and social programs simply by advancing the credit needed to accomplish them. William Krehm writes:

"In the years 1935 to 1945, Canada's monetary base – that is, the supply of legal tender – was increased from $259 million to $2,017 million. M1 – all currency and non-interest-bearing deposits – rose from $742 million to $2,956 million. Because the central bank created most of the money itself and lent it to the government in the form of treasury bills at rates as low as .37 percent, the bank was able to keep the interest paid on Canada Savings Bonds bought by the public to 3 percent or less. Without the low-rate financing provided by the central banks, the Allied powers could not have won the war."[7]

According to the late Will Abram in *Money: The Canadian Experience with the Bank of Canada Act of 1934* (2009), the Canadian government first showed what it could do with its own central bank during World War II, when Canada ranked fourth among the Allies for production of war goods. Under the *Returning Veterans Rehabilitation Act* of 1945, some 54,000 returning vets were given financial aid to attend university. The Department of Veterans Affairs provided another 80,000 vets with vocational training, and the *Veterans' Land Act* helped 33,000 vets buy farmland.

After the war, the Industrial Development Bank, a subsidiary of the Bank of Canada, was formed to boost Canadian businesses by offering loans at low interest rates. The Bank of Canada also funded many infrastructure projects and social programs directly. Under the *Trans-Canada Highway Act* passed in 1949, Canada built the world's longest road and the world's longest inland waterway (a joint venture with the United States), as well as the 28-mile Welland Canal. Senior citizens, regardless of income or assets, received a modest allowance from the government under the *Old Age Security Act;* and children under 15 got one as well.[8]

In 1957, funding from the Bank of Canada helped launch the Canadian federal health care system. A *Hospital Act* was passed under which the federal government agreed to pay half its citizens' bills at most hospitals, and a *Diagnostic Services Act* gave all Canadians free acute hospital care, as well as lab and radiology work. In 1966, the *Hospital Act* was expanded to cover physician services. In 1984, the *Canada Health Act* ensured that no medically-necessary care would include private fees or a charge to citizens.[9]

Bad Economic Policy Kills the Canadian Golden Goose

From 1939 to 1974, Canada financed these projects largely through its government-owned central bank, without sparking price inflation or driving up the federal debt. (See Figure 9 on page 4.) From 1935 to 1939, the Bank of Canada issued most of the nation's credit, and it issued 62 percent of the credit during the last years of World War II. Until the mid-1970s, the Canadian government continued to create enough new state money to monetize 20 percent to 30 percent of the national deficit. It advanced money at low interest, forcing commercial banks to keep interest rates low in order to compete.[10]

This four-decade run of prosperity came to an end, however, when Canada abandoned its successful experiment in self-funding and began borrowing heavily on the private market. This change in policies occurred when the Basel Committee was established by the central-bank Governors of the Group of Ten countries of the Bank for International Settlements in 1974, and Canada joined it.[11] A key objective of the Committee was and is to maintain "monetary and financial stability." To achieve that goal, the Committee discouraged governments from borrowing from their own central banks interest-free and encouraged them to borrow instead from private creditors, including large international banks.[12]

The proffered justification for the policy was that borrowing from a nation's own central bank, which had the power to create money on its books, would inflate the money supply and prices, while borrowing from private creditors would not. Overlooked or concealed was that private banks create the money they lend just as public banks do. The difference is that a publicly-owned bank returns the interest to the government and the community, while a privately-owned bank siphons it into private coffers, progressively drawing money out of the productive economy.

The change in government borrowing policies was justified as being necessary to fight "stagflation" – rising prices accompanied by high unemployment – which had set in during the late 1960s. Under the sway of the classical monetarist theories promoted by US economist Milton Friedman, the phenomenon was blamed on governments either issuing money too freely or borrowing too freely from their own central banks. Overlooked was that the stagflation was global, and that Canadian prices had remained stable and the national debt had been low for decades, although the Bank of Canada had been steadily increasing the monetary base. Paul Hellyer, former Defense Minister of Canada and founder of the Canadian Action Party, maintains that elevated prices in the 1970s were the result not of government money creation but of "cost-push" inflation, triggered by big labor unions, big government, and big corporations negotiating top dollar for their contracts.[13]

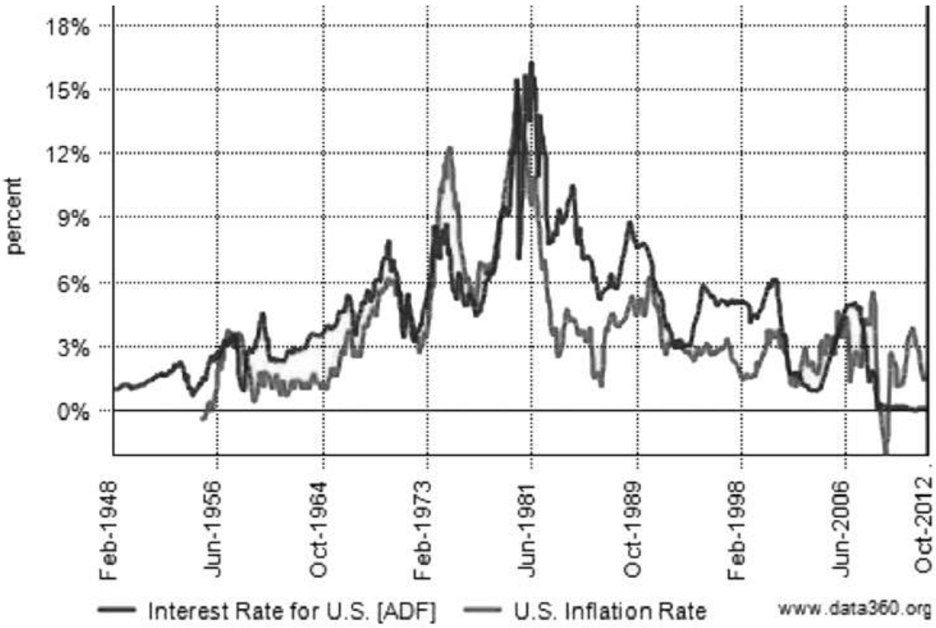
According to William Engdahl in *The Gods of Money* (2009), there was another cause of cost-push inflation in the early 1970s, and this one was intentionally engineered: the skyrocketing cost of oil. When Nixon took the US dollar off the gold standard in 1971, the dollar dropped precipitously in international markets. US Secretary of State Henry Kissinger and President Nixon then held a clandestine meeting in 1972 with the Shah of Iran, who was offered any weapons he wanted from the US arsenal except nuclear bombs. He would need vastly greater income to pay for them, but the revenue was soon provided.

Engdahl cites evidence that in 1973, a group of powerful financiers and politicians met secretly in Sweden to discuss how the dollar might effectively be "backed" by oil. An arrangement was then finalized in which the oil-producing countries of OPEC would sell their oil only in US dollars, and the dollars would wind up in Wall Street and London banks, where they would fund the burgeoning US debt. For the OPEC countries, the *quid pro quo* was military protection, along with windfall profits from a dramatic boost in oil prices.

In 1974, according to plan, an oil embargo caused the price of oil to quadruple, forcing countries without sufficient dollar reserves to borrow from Wall Street and London banks to buy the oil they needed. Increased costs then drove up prices worldwide.[14]

In *Demon Money* (2013), James Cumes points to yet another factor driving up prices: the rising cost of money itself. The monetarist prescription for combatting price inflation was to raise interest rates, making credit more expensive and reducing its supply. That was the theory, but raising interest rates actually had the opposite effect: prices

Figure 8. US Inflation Rate Tracks Interest Rate, 1948-2012



rose. (See Figure 8.)

President Richard Nixon began raising interest rates proactively in 1969, before prices had really begun to rise. They were just expected to rise due to the Vietnam War and other large government expenditures.[15] Interest rates rose steadily thereafter, peaking in Canada at a staggering 22 percent in 1981. Prices rose right along with them. The reason is not hard to see: businesses have to recoup their interest charges by raising their prices; and businesses that cannot afford to borrow at the higher rates decrease production, reducing supply relative to demand, driving prices up.[16]

The debt curve that began its exponential rise in 1974 tilted toward the vertical in 1981, when interest rates were raised by the US Federal Reserve to 20 percent, and Canadian rates went as high as 22 percent. At 20 percent compounded annually, debt doubles in less than four years. (See Figure 9.)

From Sustainable to Unsustainable Debt

The Canadian Auditor General is the accountant who reviews the government's books. In his 1993 annual report he acknowledged that most of the government's debt consisted of interest charges:

"[The] cost of borrowing and its compounding effect have a significant impact on Canada's annual deficits. From Confederation up to 1991-92, the federal government accumulated a net debt of $423 billion. Of this, $37 billion represents the accumulated shortfall in meeting the cost of government programs since Confederation. The remainder, $386 billion, represents the amount the government has borrowed to service the debt created by previous annual shortfalls."[17]

Thus in 1993, 91 percent of the debt consisted of six interest charges. Without those charges, the government would have had a debt of only C$37 billion – very low and sustainable, just as it was before 1974.

By 2012, the government had paid C$1 trillion in interest – twice its national debt.[18] Interest on the debt is now the government's single largest budget expenditure – larger than health care, senior entitlements or national defense.[19]

Today, the Bank of Canada monetizes only 7.5 percent of the state deficit. The Canadian money supply increases by C$22 billion annually, but the Bank of Canada creates less than 2 percent of that increase. If the Canadian government had continued to fund itself as it had before the mid-1970s, estimates are that Canada would now be operating with a surplus of C$13 billion.[20]

In March 2012, the Canadian House of Commons passed the federal government's latest round of budget cuts and austerity measures, including cutting 19,200 public sector jobs, slashing federal programs by C$5.2 billion per year, and raising the retirement age for millions of Canadians from 65 to 67. The justification for these austerity measures was a massive federal debt exceeding C$ 581 billion, or 84 percent of GDP. It is a debt that might have been avoided if the government had continued to borrow heavily from its own central bank, as it did between 1939 and 1974.

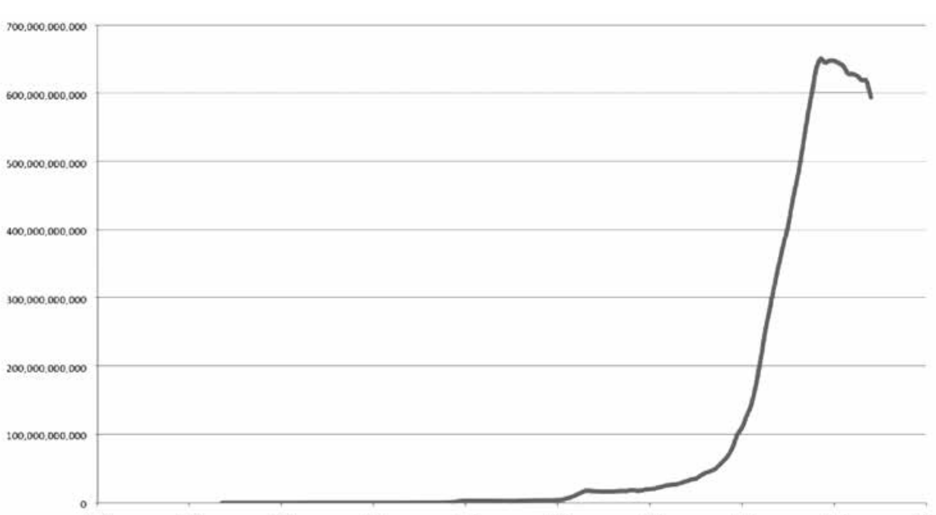
Taking It to Court

In December 2011, William Krehm, along with Ann Emmett and COMER, brought suit in Canadian federal court "to restore the use of the Bank of Canada to its original purpose, including making interest-free loans to municipal/provincial/federal governments for 'human capital' expenditures (education, health, other social services) and/or infrastructure expenditures." According to a press release:

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

"The Plaintiffs state that the Bank of International Settlements (BIS), the Financial Stability Forum (FSF) and the International

Figure 9. Canadian Federal Debt, 1867-2008



Source: Statistics Canada, CANSIM using CHASS, v151537 Canada [21]

Monetary Fund (IMF) were all created with the cognizant intent of keeping poorer nations in their place which has now expanded to all nations in *that these financial institutions largely succeed in over-riding governments and constitutional orders in countries such as Canada over which they exert financial control.* The Plaintiffs state that the meetings of the BIS and Financial Stability Board (FSB) (successor of FSF), their minutes, their discussions and deliberations are secret and not available nor accountable to Parliament, the executive, nor the Canadian public notwithstanding that the Bank of Canada policies directly emanate from these meetings. These organizations are essentially private, foreign entities controlling Canada's banking system and socio-economic policies."

The story of the secretive foreign influence of the BIS and the Financial Stability Board will be picked up later. First we'll look at another Canadian public banking innovation in the 1930s, the Alberta Treasury Branches.

Endnotes

1. "Bank of Canada," Wikipedia.
2. Mackenzie King, quoted in "Of Primary Concern to Every Canadian," Independent Party Canada, 21 June 2012, independentpartycanada.com.
3. Kerry Bolton, "Breaking the Bondage of Interest: A Right Answer to Usury, Part 3," *Counter-Current*, 14 Aug. 2011.
4. William Krehm, *A Power Unto Itself: The Bank of Canada* (Stoddart Publishing Company 1993), page 3.
5. William Krehm, "A Monetary Education for MPs," *Economic Reform*, May 2008.
6. Krehm, *A Power Unto Itself*, op. cit., page 57.
7. Krehm, ibid., pages 56-57.
8. Will Abram, "Money: The Canadian Experience with the Bank of Canada Act of 1934," 9 Aug 2009.
9. J. Gilbert Turner, "The Hospital Insurance and Diagnostic Services Act: Its Impact on Hospital Administration," *Canadian Medical Association Journal* 78.10 (CMAJ, 1958). ncbi.nlm.nih.gov; Donna Wilson, "Principles of the 1984 Canada Health Act," (University of Wollongong, 2000), uow.edu.au.
10. Bolton, op. cit.
11. "History of the Basel Committee and Its Membership," Bank For International Settlements, 21 June 2012, bis.org.
12. Ibid.
13. Paul Hellyer, "Economics for Boomers." *Roads Less Travelled*, 3 Mar. 2007, pipalya.com.
14. William Engdahl, *The Gods of Money* (edition.engdahl 2009) Pages 265-273.
15. "Nixon and Domestic Issues," *AP U.S. History Topic Outlines*.
16. James Cumes, *The Demon Money* (kindle edition: Amazon.com: Books. 1 Jan. 2013).
17. Ron Thompson and Jeff Greenberg, "1993 Report of the Auditor General of Canada," Office of the Auditor General of Canada, 1993, oag-bvg.gc.ca.
18. Adam Taylor, "Til' Debt DoU.S.Part? – With a Plan Ottawa's Debt Can Be Eliminated," *Enter Stage Right*, 23 Oct. 2006, enterstageright.com, confirmed by Hon. Paul Hellyer from official sources, April 2012.
19. Ibid.
20. Kerry Bolton, "Breaking the Bondage of Interest: A Right Answer to Usury, Part 4," *Counter-Current*, 10 Aug. 2011.
21. "Gross Canadian Federal Debt, 1867-2008," 24 Apr. 2010, pomiec.blogspot.com.

From Austerity to Prosperity Through Proper Use of Our Publicly Owned Bank of Canada

By Paul Hellyer

Canada needs tens of billions to meet our essential needs.

- To provide jobs for the more than one million young Canadians becoming frustrated by the lack of opportunity to contribute to a stronger and more vibrant Canada.
- To replace a rapidly decaying infrastructure and to build new state of the art urban transportation systems, roads, hospitals, etc.
- For financial relief to an over-stressed Medicare system desperately in need of a cash transfusion.
- To guarantee adequate research and development to increase our ability to compete in global markets.
- To make post-secondary education available to poor and rich alike.
- To finance the measures necessary to arrest global warming before it is too late.

The federal government and parliament have all the power necessary to create enough money to meet all the above and more. A pro-active Bank of Canada helped finance all of our great post-World War II projects and can meet our current critical needs if we have the vision to think outside the box.

The Canadian Constitution gives Ottawa exclusive power over money, banking and paper currency. So it can create all the money it needs for all legitimate purposes. It does not have to borrow in the market and put Canadians deeply in debt in the process! Yet that is exactly what it has done by abdicating its power in favour of the privately-owned banks, beginning in 1974.

The unhappy result has been an increase in net federal debt from $24 billion in 1973 to about $600 billion today. That has cost taxpayers more than $1 trillion, 100 billion in interest so far, and all of it unnecessary. If we stick with the present orthodoxy of austerity, and servitude to private banks, the horrendous first charge on our incomes will never end and we will be slaves of the financiers forever.

The Money Mystique

Our current servitude is a direct result of the fact that only about one person in every hundred understands what money is and where it comes from. Graham Towers, the first and arguably the brightest of our Bank of Canada governors said, "Money is just a book entry. That's all it is." If he were alive today he would say, "Money is just a computer entry. That's all it is." So there are millions of unemployed people simply for the lack of a few well-placed computer entries. This is a *crime* against humanity in the literal sense of the word.

But there is a catch. It makes all the difference in the world who owns the computer. If it belongs to the government it will produce government-created, debt free money (GCM) which can be spent into circulation to meet the legitimate needs of the citizens. The GCM is legal tender and will remain in the system forever.

If, on the other hand, money is created by the computers of privately-owned banks it is just virtual money. It is a commonly believed myth that the money a bank lends you today is money someone else had deposited yesterday. But the odds of that being true are infinitesimal. It is newly created money – virtual money.

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.

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, will 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.

A world system where 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 thousands or sometimes millions of innocent people lose their jobs, homes, farms and businesses. Almost any high school student should be able to see that any monetary system based 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.

And that's where we are today and have been since Wall Street crashed the system in 2007-2008. Worse, many economists predict that the slump will continue for several more years. And that certainly will be the case if there is no alternative to bank-created money (BCM). We are drowning in debt and must have a massive injection of GCM to dilute it and get the economy up and running without further delay. There is so much to be done that can't be done without money which is the gasoline of the economic engine. To paraphrase a famous statement by Prime Minister Winston Churchill during World War II, "Pass the ammunition (money) and we will get on with the job."

Our group has presented the federal government with a manifesto entitled "A Social

Germany Fears Revolution If Europe Scraps Welfare Model

By Ingrid Melander and Nicholas Vinocur, Reuters

Paris – German Finance Minister Wolfgang Schaeuble warned on Tuesday that failure to win the battle against youth unemployment could tear Europe apart, and dropping the continent's welfare model in favor of tougher US standards would spark a revolution.

Germany, along with France, Spain and Italy, backed urgent action to rescue a generation of young Europeans who fear they will not find jobs, with youth unemployment in the EU standing at nearly one in four, more than twice the adult rate.

"We need to be more successful in our fight against youth unemployment, otherwise we will lose the battle for Europe's unity," Germany's Schaeuble said.

While Germany insists on the importance of budget consolidation, Schaeuble spoke of the need to preserve Europe's welfare model.

If US welfare standards were introduced in Europe, "we would have revolution, not tomorrow, but on the very same day," Schaeuble told a conference in Paris.

Prime Minister Mariano Rajoy of Spain, where youth unemployment is among the highest in Europe, called for the euro zone to triple aid to small businesses and allow governments to subsidize the hiring of younger workers without sanctions for overspending.

In recent weeks Germany, wary of a backlash as many in crisis-hit European countries blame it for austerity, has taken steps to tackle unemployment in the bloc, striking bilateral deals with Spain and Portugal.

"We have to rescue an entire generation of young people who are scared. We have the best-educated generation and we are putting them on hold. This is not acceptable," Italian Labour Minister Enrico Giovannini said.

Rajoy said both the European Investment Bank and European Central Bank should do more to help credit flow to small firms.

Small and medium-sized companies in Spain and much of southern Europe pay much higher rates for loans than their counterparts in the north. Youth unemployment in Spain is above 57 percent as layoffs continue in a deep recession.

"With all respect for its independence, I believe the ECB can and should do more," Rajoy said in a speech at the end of the conference, also saying funds channeled to small firms via the EIB should be boosted to 30 billion euros ($38 billion) a year.

He called for "some kind of common European debt" and said Europe should temporarily exclude social security subsidies for youth hiring from its calculation of member states' budget deficits, a proposal that will likely meet resistance.

German ECB board member Joerg Asmussen said on Monday it would be a mistake to "tinker with the growth pact" to ignore certain investments for budget deficit calculations, as favored by some in the EU who want public investment excluded to help them meet fiscal targets.

Aside from Rajoy's proposals, ministers offered few concrete plans, insisting Europe must be pragmatic and work on various strands. Schaeuble said this was why Germany had also decided to strike deals with countries such as Spain and Greece.

"Let's be honest. There is no quick fix. There is no grand plan," said Werner Hoyer, head the European Investment Bank.

German ministers said Europe must continue on the path of structural reforms to boost its competitiveness as well as make good use of available EU funds, including 6 billion euros that leaders have set aside for youth employment for 2014-20.

The youth employment crisis will be a central theme of a June EU leaders' summit, and German Chancellor Angela Merkel has invited EU labour ministers to a conference in Berlin on July 3.

In March 2013, nearly 40 percent of under-25-year-olds in Portugal were jobless, and in Greece youth unemployment shot to a record 64 percent in February, while it was below 8 percent for Germany and Austria.

Following up on an idea aired earlier this month, French President François Hollande urged the euro zone to work towards a joint economic government with its own budget that could take on specific projects including tackling youth unemployment.

❧ ❧ ❧

Our Comment. What is being slipped by in semi-guilty stealth is the crucial investment in human capital. This results in ticking off human capital investment as a mere luxury part-time that society cannot afford. It is in fact the most crucial investment that society cannot afford to *miss* making. *W.K.*

Contract Between the Government and People of Canada." It sets out the steps to be taken to reform the system from the ground up. This includes the creation of enough debt free money (about $150 billion a year for seven years) to meet all the legitimate needs at the federal, provincial and municipal levels of government. (Details can be found at www.victoryfortheworld.net.)

Henry Ford Sr. said that, "If the people understood the monetary system there would be a revolution before morning." So do your homework and join the revolution (peaceful). You have nothing to lose except your bondage to the moneylenders.

These Men Were Not Stupid Men

ABRAHAM LINCOLN:

"The 'money power' preys upon the nation in times of peace, and conspires against it in times of war. It denounces as public enemies all who question its methods or throw light on its crimes. The government should create, issue and circulate all the money and currency needed to satisfy the spending power of the government and the buying power of the consumers."

BARON JOSIAH STAMP:

"Banking was conceived in iniquity and was born in sin. The Bankers own the earth. Take it away from them, but leave them the power to create money, and with the flick of the pen they will create enough money to buy it back again. However, take that power away from them and all the great fortunes like mine will disappear, and they ought to disappear, for this would be a happier and better world to live in. But if you wish to remain the slaves of Bankers, and pay the cost of your own slavery, let them continue to create money."

W.L. MACKENZIE KING:

"Once a nation parts with control of its currency and credit, it matters not who makes the nation's laws. Usury, once in control, will wreck any nation. Until the control of currency and credit is restored to government and recognized as its most conspicuous and sacred responsibility, all talk of the sovereignty of Parliament and of democracy is idle and futile."

THOMAS JEFFERSON:

"I believe our banking institutions are more dangerous to our liberties than standing armies. If the American people ever allow private banks to control the issue of their currency, first by inflation and then by deflation, the banks and the corporations that will grow up around them will deprive the people of all property until their children wake up homeless on the continent their fathers conquered."

When are our leaders going to "get it?"

Write to the Prime Minister, Finance Minister Flaherty, and your MP at:

House of Commons

Ottawa, ON K1A 0A6

Demand that the government adopt and implement "A Social Contract Between the Government and People of Canada" before Parliament adjourns for the summer!

(Text at www.victoryfortheworld.net.)

The Acropolis: Part II

An excerpt from The Acropolis *by Katerina Servi, published by Ekdotike Athenon. In French, translated by William Krehm.*

The term acropolis, a work composed of the akra-point culminant – and of substantive "polis" – ville, cite – is designed to the highest point of the city fortified. In the regions of Greece since the prehistoric period. The Acropolis of Athens was then in effect, only a single such fortress. But in the course of the years its role changes. It becomes little by little the most important religious and cultural centre of the city to reunite a number of masterpieces of the architecture and sculptures of antiquity.

Two historical periods deeply imprinted their mark on the sacred rock the archaic epoch and classical epoch. The archaic Acropolis was completely sacked by the Persians in 480 BC. After which, according to tradition, shortly before the Battle of Plataea in 479 BC, the Greeks made a solemn promise to leave their sanctuaries in ruins to never forget the barbarity of the Persian invader. So, when the Athenians came home, victors this time, they did not raise the ruins of their temples. Only the "old temple" Athens, the Acropolis, was restored to shelter the *xoanon* of the goddess there, statue of antiquity, that the Athenians considered "sent from heaven." That implied. worship owed nothing to the hand of man.

About thirty years after the Persian war, things changed. Pericles, wished to make Athens the brightest city of all Greece, conceived a plan of urbanization, studied in detail to which the Athenians gave their agreement. This plan also included the major reference work on the Acropolis. It is to the great sculptor Phidias, very close friend of Pericles, that returned the direction of work. In his *Life of Pericles*, the Greek writer Plutarch (50-120 AD) called him the "Superintendent of works." However, he was not alone.

At his side were the architects, artists and artisans the brightest and the most famous of their time a bunch of men who, in a few years, drew up and established buildings of a unique size and beauty. Pericles, the man who had wanted to make Athens a powerful, democratic, grandiose city, died during the terrible plague epidemic which struck the city in 429 BC. The reconstruction plan of the Acropolis, however, continued after his death.

Access to the Sacred Rock

Historically, the main access to the summit of the sacred rock became the western slope of the Acropolis, the less steep of all. Of course, its configuration has changed over time. In the Mycenaean period, a narrow path, starting from the South of the rock, ascending the western slope to reach the fortified entrance to the Acropolis. Later, at the time when the festival of the Panathenaic games was reorganized (in 566 BC) they arranged a broad inclined plan, adapted to the rise of the great procession on the sacred rock. With its 80 meters long and 10 wide, it started from the bottom of the Acropolis, the west, and rode straight to the entrance of the sanctuary. During the construction of the Panathenaia the archaic ramp was extended, occupying the entire space between the two wings of the new building.

The Main Entrance to the Sanctuary: The Propylon

From the Mycenaean period, the main entrance to the Acropolis was on the west side of the rock, near the place where the Propylaea stood. A first monumental gate in *poros*, of the elementary plan, was believed to be erected in this location at the middle of the 6th century BC. Between 510 and 480 BC, a second marble *propylon* is substituted on the first and was likely destroyed by the Persians (in 480 BC), and restored or rebuilt within the framework of defensive works which saw the day after the Persian wars.

The Propylaea

The imposing Propylaea[1] from the time of Pericles stood on the site of the previous *propylon*, part of a lot simpler plan. The work, which began in 437, interrupted in 432 BC, this interruption was attributed to the impending war of the Peloponnese, but this was probably not the only reason. While the initial plan was never carried to completion, the Propylaea of Pericles had to compete with the Parthenon. The architect Mnesicles demonstrated engineering genius to solve the problems posed by limited space and the slope of the ground. The building that he designed, majestic, harmonious, entirely made of white marble from Pentelic, is an ideal introduction to the architectural creations of the sanctuary.

The Propylaea complex consists of a central body flanked by two wings, north-west and south-west. The central body has six Doric columns in facade, at equal distances from one another, with the exception of two central columns separated by more intercolumniation. This wider opening would facilitate the passage of riders and animals in the Panathenaic procession. Perpendicular to this Doric facade are two rows of three fine ionic columns.

A partition wall pierced with five doors divides the central body in two parts, that of the back being at a higher level. The difference in elevation between the two parts of the central body is affected in terms of coverage, differences in height between the roofs, including the Interior, painted in dark blue, was decorated with gold metal star. The rear facade of the central building also presents a row of six Doric columns.

The north-west wing has a small portico opening by three fine Doric columns on a room known as the Pinacoteca, due to information given by Pausanias. When Periegetes visited in the 2nd century BC, paintings and/or frescoes decorated the walls. The south-west wing was not an exact replica of the north-west wing: his plan is explained by the desire to respect a large section of the Mycenaean wall whose remains are preserved even today, and the presence of the sanctuary of Athena Nike. It consists of a porch, the facade of which parallels that of the north wing, but that does not open on a room. Experts believe that the architect of the Propylaea had provided in his original plan, construction on the east side, spaces similar to west coast, but they never saw the day.

(The term *propylon* is used to denote the monumental device erected at the entrance of a place, sacred or not, or a building.)

The Agrippa Pillar

In front of the Pinacoteca stands, even today, a high marble pillar of gray-blue Hymettus. It was capped with a bronze quadriga dedicated to Eumene II, after the victory of the king of Pergame in the panathenaic games, in 178 BC. At the end of 1st century AD, the monument was devoted to a Roman, Marcus Vipsanius Agrippa, known for his generosity towards the city.

The Beule Gate

After the destruction of Athens by Hercules, in 267 AD, the Athenians undertook to rebuild the fortifications of the Acropolis, especially on its western slope, where it was left without protection. Using as building materials of the architectural elements coming from former buildings, primarily of the monument choregic of Nikias which was drawn up on the Southern slope of the rock, they built a gate, flanked of two bastions, exactly below Propylaea: the Beule gate, named for the French archaeologist who exhumed it in the middle of the 19th century.

The Temple of Athena Nike

To the south-west of the Propylaea, a defensive bation from Mycenaean time was restored in the classical era, stands the elegant little temple where the Athenians worshiped Athena equated with Nike, since she assisted them in their struggle and brought them victory. The temple which one sees today succeeds several older places of worship, also dedicated to Athena Nike. The researchers estimate that in the middle of the 6th century BC approximately at this same site a small wooden temple rose, but was destroyed in 480 BC, at the time of the Persian invasion. It is also dates back to the middle of the 6th century a foundation hollowed out in its centre in which they offered to see an *eschara*, pit intended for chthonic sacrifices, but that appears rather as the foundation of the *xoanon* or wooden religious statue of Athena. Following the victory of Cimon over the Persians, in 468/7 BC, the destroyed small antiquated temple of wood, was replaced by another in *poros*, including the base of the pertaining to worship statue of Athena on whom was replaced the *xonaon* of the goddess. A little later, the bastion and the temple devoted to Athena Nike were entirely refitted. The construction of the new temple was entrusted to the architect Callicrates in 449/8 BC, but it was not accomplished until much later, by about 425 BC.

In this remodeling of the place, the former Mycenaean bastion is wrapped in an envelope in *poros*: built out of isodomic device, these walls extend the terrace on which the new temple is built. Entirely made of marble, in contrast to the bastion, it is an *amphiprostyle* temple (which introduces a colonnade only on its small sides): four ionic columns on the front and rear facade and in the back supervise a baby cella (or secos) which, contrary to usage, is not preceded by a *pronaos,* but with the side walls ending with antes, between which two slim pillars stand. In ancient times, everything was closed by gates, preventing access to the interior of the *cella*.

The sculptural decoration of the temple is of particular interest. The precious frieze decorated with bas-reliefs is divided today between the British Museum and the Acropolis Museum. An assembly of the Olympian gods occupies the east facade, while the other three sides depict scenes of battles: battles against the Persians on the south side and battles between Greeks on the north and west sides. The pediments were decorated with scenes in high relief: probably *Amazonomachie* (mythical combat between Athenians and Amazons) in the west and *Gigantomachie* (fight between the gods and the Giants) in the east.

For the safety of the faithful, the bastion of the small temple was surrounded on three sides by a marble balustrade. The parapet plates are decorated on their exterior cladding, with beautiful reliefs depicting winged victories in the presence of the seated goddess Athena, wearing his helmet and leaning on his shield, bustle about them, some to decorate trophies, the others to carry out the oxen sacrifice.

The temple that sheltered a wooden religious statue (*xoanon*) of Athena Nike, carrying a helmet in the left hand and a grenade in the other. Because *Pausanias* (2nd century AD) believed it dedicated to Nike, the winged goddess of victory, in his *Periegesis*, cites the monument known as "temple of wingless victory," that is to say without wings, and he adds that the Athenians had deprived the statue of wings in order to avoid the victory flying away from their city.

The Sanctuary of Aphrodite Pandemos

The location of the sanctuary of Aphrodite Pandemos, protector of the people, near the stronghold of the temple of Athena Nike. Pausanias reports that it housed statues executed by great artists. He was in the midst of other very old sanctuaries. The two still visible niches in the western face of the bastion of the temple of Athena Nike had undoubtedly a religious character.

Ancient Parthenons

Because they attributed a sacred character to specific places, the Greeks were accustomed to build their temples on the same locations as their predecessors. Research shows that at the place where later the Parthenon would rise, a large Doric temple in *poros* was constructed around 570 BC. It identifies the famous "Hecatompedon" temple attic one hundred feet in length, mentioned in various inscriptions. It was at this temple that one attributed the great sculptures and the architectonic members in *poros*, unearthed at the end of the 19th century, at the top of the Acropolis.

After the battle of Marathon (in 490 BC), a marble temple was established on the site of the temple in *poros*. The construction of this new temple, to which the first excavators gave the name of "Preparthenon" was already well advanced, arriving at a height of the first drums of the colonnade, when Acropolis was destroyed by the Persians (in 480 BC). After the end of the second large campaign of the Persians against Greece, the Athenians used architectonic members of the Preparthenon to construct the north wall of the Acropolis. Others were later reused in the beautiful classic Parthenon.■

On Hong Kong Shelves, Illicit Dirt on China's Elite

By Chris Buckley, The New York Times, May 19, 2013

Hong Kong – Visitors from mainland China climb the narrow stairs to a cramped room here filled with forbidden delights: shelves of scandal-packed exposés about their Communist Party masters.

The People's Recreation Community bookstore and several others on Hong Kong's teeming shopping streets specialize in selling books and magazines banned by the Chinese government, mostly for their luridly damning accounts of party leaders, past and present. And at a time when many Chinese citizens smolder with distrust of their leaders, business is thriving.

"We come here to buy books that we can't read in China," said Huang Tao, a salesman of nutritional supplements from southeast China, who picked out a muckraking volume recently about corruption among senior party leaders. "There are so many things that we've been deceived over," he said, waving toward books on the devastating famine of the late 1950s and early 1960s, an episode that official histories have muffled in euphemisms. "We can't learn the truth, so black becomes white and white becomes black."

Such publications smuggle corrosive facts and rumors into the bloodstream of Chinese political life. The contraband flow is reinforced by a flow of online publications and downloadable pirate copies. The trade shows the thirst for information in a society gripped by censorship, and the difficulties and party authorities face in trying to stifle that thirst, especially when, people in the business say, officials are among the avid readers of banned books.

"These books are playing a big role in raising the consciousness of the Chinese people," said a Beijing journalist who visits Hong Kong several times a year and buys armloads of exposés. He asked that his name not be used, fearing punishment. "It's impossible to stop everything getting through."

They contain accounts of every conceivable scandal of the past. Then there are the gloomy prophecies about China's future. One book foretells a war with Japan in 2014, another a toppling of the current leadership that same year. The strongest seller among these feverish jeremiads, "2014: The Great Collapse," says the fall of the Communist Party is assured, citing what it says are secret party documents. "This is not gossip or soothsaying," the preface declares.

"Some people take these books very seriously, I had a phone call just yesterday for 20 copies of this book. He seemed to be a Chinese businessman," said Paul Tang, the proprietor of the store, which in Chinese goes by the more ironic name of the People's Commune bookstore.

"Right now, more than 90 per-cent of our sales come from mainland visitors," said Mr. Tang, 38, who formerly worked for fast food chains. He and three partners opened the store in 2002 and two years later shifted its focus to banned books for visitors from mainland China. "The most frequently asked question is not about the content of books," Mr. Tang said. "It's how they can get the books back to China."

That game of hide and seek takes place daily, as Chinese travelers return from Hong Kong and other destinations, sometimes with contraband. Customs officers are sometimes instructed to stop particular titles, people in the trade say, but often anything with a political edge that is discovered is scrutinized, and decisions on what to confiscate are made on the fly.

Zhou Qicai, a businessman from northeast China, was lugging a suitcase stuffed with 400 copies of a Chinese-language magazine from Hong Kong into China in March when a customs officer inspected his luggage. The magazine, Boxun, had a report about court officials in his hometown who are suspected of being corrupt that he wanted to share with friends.

"He took one look at the magazine and said, 'These are reactionary publications, they're illegal,'" Mr. Zhou said. The officer seized the magazines, took down his personal details and warned him not to smuggle again. "That didn't matter," Mr. Zhou said. "I came back and tried again a couple of days later and brought in 93 copies without a problem."

A former British colony, Hong Kong became a self-administered region of China in 1997, and despite pressures from Beijing, remains free of state censorship. In 2012, Hong Kong hosted 34.9 million visits by Chinese nationals, many on shopping sprees.

Chinese customs officials often confiscate publications about forbidden themes. But prosecutions of caught travelers are virtually unheard of these days, because the government would have difficulty explaining its secretive censorship practices, even before tame, party-run courts, said Bao Pu, the head of New Century Press, a Hong Kong publisher of many books by ousted and retired Chinese officials.

"They can never openly justify their rules, because there's no public list of banned books and these people make their own arbitrary decisions," said Mr. Bao, the son of a purged Chinese official. "There would simply be too many people to prosecute; there would be a backlash."

The illicit flow includes memoirs and studies of events and people that the Communist Party would rather forget, like the Great Leap famine and brutal Cultural Revolution under Mao Zedong, and the upheavals that culminated in the crackdown in Tiananmen Square in June 1989. Former officials whose memoirs cannot be published in China, among them the late ousted party leader Zhao Ziyang, often turn to Hong Kong for an outlet.

Then there are the magazines and books offering salacious accounts of party officials' private lives. Few members of China's political elite escape having a book, or at least a chapter, devoted to their suspected plots, mistresses or ill-gotten fortunes.

Some of the hastily written potboilers appear fanciful, even by the generous standards that China has recently set, with a real-live scandal involving a Politburo member, Bo Xilai, who fell from power after his wife, Gu Kailai was arrested on charges of murdering a British businessman.

"It's like when your National Enquirer becomes your only form of political discussion," said Geremie Barmé a professor at the Australian National University in Canberra who studies Chinese culture and politics. "This is a tragedy that the party has generated for itself. Its processes are all cloaked from the public."

Yet many readers of banned publications from Hong Kong are themselves Chinese officials, often eager for gossip that can help them navigate treacherous political shoals. The books and magazines are surviving the onslaught of online material in part because so many of their readers are officials who fear using the Internet to look at forbidden material or lack of skill to thwart censorship, said Mr. Tang.

"You don't have to read the People's Daily, because that won't tell you what's really going on, but you have to read these," said Ho Pin, an exiled Chinese journalist who runs Mirror Books, a company based in New York that publishes muckraking books and magazines in Chinese. Chinese officials visiting Hong Kong often buy them as gifts for fellow officials, he said. "In the past, you'd give a mayor a bottle of liquor. But that's nothing these days, and so is a carton of cigarettes," Mr. Ho said. "But if you give him one of our books or magazines, he'll be very happy."

❧ ❧ ❧

Our Comment. This helps bring us to the great and still growing question: "Is there a single regime on the globe these days that can be judged heathfully thriving? And shouldn't we be increasingly concerned about the deepening threat to humanity's survival? *W.K.*

Hello, COMER

By Deryl Zeleny

From what I gather, the IMF plan for a 100% asset-based currency is moving forward and could be implemented as fast as the 1st of December 2012. A meeting was held at the EU this weekend and the western Central Banks were put in their place. The BRICS nations have recapitalized with gold and have positioned themselves much better than the corrupt western banking system. The Global Reset is around the corner.

There is scuttlebutt that this angle of affairs regarding the actions being taken by the IMF may in fact be tied to the release of certain funds in the global collateral accounts. The funds in question, which are said to total $27.5 trillion, have been referred to as the Wanta-Reagan-Mitterand Protocols. Former intelligence operative Leo Wanta is said to be one of the figures pushing for these actions. However, based upon information provided earlier in this report, Leo Wanta was himself tasked with destabilizing the Russian ruble as part of Project Hammer. The main objective of Project Hammer was, again, the hostile corporate takeover of the former Soviet Union, and appeared to be funded by 73,000 metric tonnes of gold stolen by the Bush family crime syndicate from Malacanang Palace in the Philippines upon the removal of Ferdinand Marcos from power. Whether or not this has anything to do with the actions currently being taken by the IMF remains a mystery.

What this report indicates is that Lagarde may have initially compiled this list as a means of eventually exposing these people. The fact that these billions of dollars in funds were hidden in Swiss bank accounts is not shocking, as Switzerland itself has been anything but neutral for a great many years, and that Swiss banks such as the UBS, the BIS and branches of the HSBC have been at the center of this financial tyranny for decades.

As stated earlier, the aforementioned "Monaco 57" event was purportedly attended by finance ministers from 57 nations, so it should not come as a surprise that finances ministers themselves (Lagarde, Papaconstantinou, and Venizelos) would possibly be behind the compiling of this information as a means of exposing corrupt CEOs, bankers, and government officials for tax evasion.

$43 Trillion Federal RICO Mortgage Fraud Lawsuit Filed

On October 25, 2012, a 912 page RICO lawsuit was filed in New York District Court by Spire Law Group, LLC. This lawsuit includes hundreds of plaintiffs who are calling to task the knowing and malicious attempts by a large number of corporate, banking, and government entities working in tandem to instigate a nationwide mortgage foreclosure crisis for huge financial profits. This lawsuit is an attempt by the plaintiffs to return $43 trillion to the United States Treasury. The lawsuit is also calling for a full and complete audit of the Federal Reserve Bank. A copy of this law suit was sent to you and Rocco Galati also. Included as defendants in this case are an entire slew of bankers, corporate CEOs and high ranking political officials, including the United States of America (corporation), the State of New York, Attorney General Eric Holder, Treasury Secretary Timothy Geithner, and, perhaps most importantly of all, Senior White House Advisor Valerie Jarrett, who is a long-standing advisor to President Obama and provides a key link to a great many of Obama's connections to the Chicago underworld. Petitions from all 50 states have been signed on the US Government web site to peacefully secede from the Union, a move that is now growing momentum. https://petitions.whitehouse.gov/petition/peacefully-grant-state-texas-withdraw-united-states-america-and-create-its-own-new-government/BmdWCP8B

The link below takes you to the petition on the US Government site which seeks to dissolve the illegal "United States Corporation" and restore the legal organic US government and re-institute the constitution. https://petitions.whitehouse.gov/petition/we-people-now-re-declare-2012%E2%80%A6-declaration-independence/0mtlLrYl?utm_source=wh.gov&utm_medium=shorturl&utm_campaign=shorturl

A month ago I passed the law suit on to the Pete Santilli Show in California. He ran the story on his radio program and then posted it on his website. Kevin Krim Senior Vice President for CNBC unknowingly picked up the article and published it on the CNBC's digital media site. Unfortunately the young children of Kevin Krim, a former Yahoo executive and JP Morgan employee, were brutally murdered. This event followed immediately in the wake of Krim having leaked the story of the $43 trillion Spire Law Group racketeering lawsuit against top CEOs, bankers, and US government officials. The story was pulled from the web site that very day. The accused nanny remains in hospital under a doctor's induced coma, unable to tell authorities what really transpired.

Hurricane Sandy and Wall Street

The vault of the Depository Trust & Clearing Corporation DTCC at 55 Water street in Manhattan was flooded. Inside the vault was $36.5 trillion in securities from the US and 122 other countries. In 2011 DTCC settled the clearance of almost all securities transactions in the US totaling 1.7 quadrillion dollars. Was the only physical copy of your investment just destroyed? This is a list from Wikipedia of the types of certificates that DTCC handled and were just flooded out: Stocks, corporate and municipal bonds, unit investment trusts, government and mortgage backed securities, money market instruments, and over-the-counter derivatives. It also manages transactions between mutual funds and insurance carriers and their respective investors.

Hold on to your wallet. There is even more and bigger fraud coming your way very, very soon. I do not care if a few hundred trillion dollars in claims for Credit Default Swaps are not paid out. Nobody has that much money anyway. Just cancel all the CDS that guaranteed all of those bonds in Europe and for the returns on US Treasurys. The only proof you have that you own a stock or have money in a bank is an entry in a computer owned and operated by known criminals.

Enter the sons of Stuxnet. The Stuxnet computer virus was created by the US and Israel to attack Iran's nuclear power plant. Stuxnet was targeted at Siemens corporation controllers. It was found to somehow spread all the way to Japan where some have accused an Israeli security firm of loading the virus into the controllers at nuclear power plants prior to Fukushima. Flame and other viruses were also created by the CIA and Israel. Senator Joseph Lieberman and spokesmen inside the Obama administration have repeatedly accused Iran of attacking American computers with Denial of Service and DNS attacks. If you do not know what these are, you can call anyone who has an Internet radio network opposed to the NATO invasions of Libya and Syria and have denounced Israel for doing 911 what they are. It is preposterous to claim that Iran is attacking US banks. The Iranian President has said his country will be free from an unprovoked attack as soon as America's debts collapse the economy making the US incapable of bombing Iran. Iran does not need a computer virus to sink the US banks. The US is engaged in such massive fraud that investors might soon pull their money from American stock and bond markets as well as their banks.

The only persons who would benefit from loading American banks and brokerage houses with computer viruses would be Israel and Wall Street. There are probably a lot of bankers in the City of London who would also love to catch that same computer virus. In France during the recent bank runs bankers pulled the plug on their computers. Then they told their customers they could not get access to their money today.

The DTCC has been experiencing hundreds of millions of dollars in failures to deliver transactions. An investor who shorts stock is supposed to borrow someone else's shares at his brokerage. If he sells short without borrowing your stocks, then he can just pocket the money if he knew on what day that nasty virus wiped out all bank and brokerage records.

A virus could conveniently wipe out all bank and brokerage records. It would eliminate all lawsuits. Of course all of your money would belong to the bankers. Your only recourse would be tar and feathers and asset seizure. But that is why the bankers have passed the *Patriot Act*, the John Warner *Defense Authorization Act* of 2007 and the NDAA. That is why they bought 1.6 billion 40 caliber hollow point rounds, 30,000 drones and set up 805 FEMA and National Guard camps. That is why they created the Department of Homeland Security and the TSA. That is why DHS hired more than 200,000 contractors. That is why they created InfraGard which gives private corporations the right to kill you if they imagine you pose a threat. That is why they created 72 Threat Fusion Centers to get control of local police. That is why their courts have legalized torture by calling it pain compliance. And that is why they have been blowing up buildings with Americans inside sine 1993.

Goldman Sachs' Global Coup D'etat

Posted by Steve Beckow, November 27, 2012. By Thom Hartmann and Sam Sacks, The Daily Take, Op-Ed.

When the people of Greece saw their democratically elected Prime Minister George Papandreou forced out of office in November of 2011 and replaced by an unelected Conservative technocrat, Lucas Papademos, most were unaware of the bigger picture of what was happening all around them.

Similarly, most of us in the United States were equally as ignorant when, in 2008, despite the switchboards at the US Capitol collapsing under the volume of phone calls from constituents urging a "no" vote, our elected representatives voted "yes" at the behest of Bush's Treasury Secretary Henry Paulsen and jammed through the biggest bailout of Wall Street in our nation's history.

But now, as the Bank of England, a key player in the ongoing Eurozone crisis, announces that former investment banker Mark Carney will be its new chief, we can't afford to ignore what's happening around the world.

Steadily – and stealthily – Goldman Sachs is carrying out a global coup d'etat.

There's one tie that binds Lucas Papademos in Greece, Henry Paulsen in the United States, and Mark Carney in the UK, and that's Goldman Sachs. All were former bankers and executives at the Wall Street giant, all assumed prominent positions of power, and all played a hand after the global financial meltdown of 2007-08, thus making sure Goldman Sachs weathered the storm and made significant profits in the process.

But that's just scratching the surface.

As Europe descends into an austerity-induced economic crisis, Goldman Sachs's people are managing the demise of the continent. As the British newspaper *The Independent* reported earlier this year, the Conservative technocrats currently steering or who have steered post-crash fiscal policy in Greece, Germany, Italy, Belgium, France, and now the UK, all hail from Goldman Sachs. In fact, the head of the European Central Bank itself, Mario Draghi, was the former managing director of Goldman Sachs International.

And here in the United States, after Treasury Secretary and former Goldman CEO Henry Paulsen did his job in 2008 securing Goldman's multi-billion dollar bailout, he was replaced in the new Obama administration with Tim Geithner who worked very closely with Goldman Sachs as head of the New York Fed and made sure Goldman received more than $14 billion from the bailout of failed insurance giant AIG.

What's happening here goes back more than a decade.

In 2001, Goldman Sachs secretly helped Greece hide billions of dollars through the use of complex financial instruments like credit default swaps. This allowed Greece to meet the baseline requirements to enter the Eurozone in the first place. But it also created a debt bubble that would later explode and bring about the current economic crisis that's drowning the entire continent. But, always looking ahead, Goldman protected itself from this debt bubble by betting against Greek bonds, expecting that they would eventually fail.

Ironically, the man who headed up the Central Bank of Greece while this deal was being arranged with Goldman was – drumroll please – Lucas Papademos.

Goldman made similar deals here in the United States, masking the true value of investments, then selling those worthless investments to customers while placing bets that those same investments would eventually fail. The most notorious example was the "Timberwolf" deal, which brought down an Australian hedge fund, and which Goldman Sachs banksters emailed each otherabout, bragging, "Boy, that Timberwolf was one shitty deal."

This sort of behavior by Goldman helped inflate, and then eventually pop, the housing bubble in the United States. The shockwave then ran across the Atlantic, hitting Europe and turning Goldman's debt-masking deal with Greece years earlier sour, thus deepening the crisis.

All of these antics should have brought about the demise of Goldman as well, but with their alumni in key policy positions on both sides of the Atlantic, Goldman not only survived, it flourished.

As the DailyKos sums up, "The normal scenario usually involves helping a nation hide a problem and sell its debt until the problem blows up into a bubble that bursts in a spectacular way…Goldman Sachs then puts their 'man' into a position of power to direct the bailouts so that Goldman gets all its money back and more, while the nation's economy gets gutted."

For years, tinfoil hat crazies who've bookmarked Glenn Beck's websites and often appear as "experts" on Fox so-called News have warned us about a one-world government. The latest threat, according to them, is Agenda 21 and the creation of a Soviet-style world authority that will confiscate private party everywhere, redistribute wealth to developing nations, and force us all to live by new global laws that sacrifice our national sovereignty. It's totalitarian governments and not transnational corporations that we should be afraid of, they warn.

But when the tinfoil hat is removed, you can see that a sort of one-world government has already been established in a far more subtle form, through the rise of Goldman Sachs and their colleagues in the Wall Street elite.

A million questions arise when looking at what's happening around the world. But many of these questions can be answered, once it's acknowledged that Goldman Sachs alumni have executed a global coup d'etat.

Why are the working people of Greece, Portugal, Spain, and Italy suffering under austerity and being asked to sacrifice their pensions, their wages, and their jobs when, after five years, it's clear these policies are only making these nations' debts even harder to pay off?

It's because Goldman Sachs is sucking the last remaining wealth out of those nations to recoup whatever failed investments they made before the Crash.

Why have thousands of homeowners in the United States turned to suicide, domestic violence, and even mass murder when faced with home foreclosure, when a simple solution like re-writing mortgages, which F.D. Roosevelt did successfully during the Great Depression, could put an end to the bloodshed and misery?

It's because re-writing mortgages would force banks like Goldman Sachs to take a hit. And thanks to the game they've created, they actually make more money when a home they own is foreclosed on.

Why, despite mountains of evidence, have banksters at Goldman Sachs and other Wall Street institutions not been thrown in jail for defrauding customers, manipulating LIBOR interest rates, and throwing thousands of Americans out of their homes illegally in a massive robo-signing scandal?

It's because we have a two-tiered justice system in which those in power, like Goldman Sachs executives, get a slap on the wrist when they steal $50 billion, but people like you and me go to jail for stealing a 7-11 Slurpee.

Now does it make sense why Wall Street was bailed out and Main Street was sold out?

In this post-crash world, where agents of Goldman Sachs have infiltrated key positions of power all around the world, we must all fundamentally re-understand how we view the global economy and just how much effect our democratic institutions have on this economy.

We no longer have an economy geared to benefit working people around the world; we have an economy that's geared to exploit working people for Goldman Sachs' profits. Trader Alessio Rastani told the BBC in September before Goldman's Lucas Papademos was installed as Greece's Prime Minister, "We don't really care about having a fixed economy, having a fixed situation, our job is to make money from it.… Personally, I've been dreaming of this moment for three years. I go to bed every night and I dream of another recession." Rastani continued, "When the market crashes, …if you know what to do, if you have the right plan set up, you can make a lot of money from this."

And as we've seen over the last decade, Goldman Sachs knows exactly what to do. They've had the right plan set-up, and it's nothing short of a global coup d'etat.

As Rastani bluntly told the BBC, "This is not a time right now for wishful thinking that governments are going to sort things out. The governments don't rule the world, Goldman Sachs rules the world."

❧ ❧ ❧

Our Comment. What a world, squashed and prayed upon, completely out of shape. That we, the suckers, have "inherited." *W.K.*

Will Omnibus Bill Influence Bank of Canada's Independence? Flaherty Should Explain.

By Kevin Carmichael, The Globe and Mail, May 29, 2013

Add Jim Flaherty to the list of activist shareholders who are attempting to exert influence over corporate suites across North America.

The Finance Minister, on behalf of the government and taxpayers, is seeking control over the hiring practices of the Crown corporations that operate at arm's length from politicians.

Bill C-60, the omnibus legislation that implements the provisions of Mr. Flaherty's latest budget, includes language (Part III, Division 17) that would give cabinet an effective veto over salary decisions of Crown corporations, including the Bank of Canada, the Canadian Broadcasting Corp. and the Canada Pension Plan Investment Board.

"All of them are accountable to the taxpayers of Canada," Mr. Flaherty told the House of Commons finance committee last week. "This makes entirely good sense to me."

It makes less sense to the Friends of Canadian Broadcasting, which worries the proposal compromises the CBC's journalistic independence. And it makes less than entirely good sense to Peggy Nash, the Toronto member of Parliament and New Democratic finance critic, who asked the finance committee to study the measure. (Her motion was rejected.)

Bill C-60 would, among other things, permit cabinet to order a Crown corporation to seek Treasury Board approval to hire non-union employees. And then, the Treasury Board "may impose any requirement on the Crown corporation with respect to the terms and conditions of employment of those employees."

Ms. Nash is wary of the effect that provision could have on the Bank of Canada's ability to go about its business without the worry of having to placate politicians. While the central bank is treated as a special case in many of the government's administrative standards, Bill C-60 states explicitly that the hiring provisions would apply to the Crown corporation.

"There is a distinction between independence in some areas and accountability," Mr. Flaherty said when Ms. Nash raised her concerns about the operational independence of the central bank and other institutions at last week's committee meeting. "They can't just go do what they want with taxpayers' money."

The Harper government already is facing questions from some economists about its respect for central bank independence. It chose Stephen Poloz as the next Bank of Canada governor despite overwhelming external support for Tiff Macklem, the central bank's senior deputy governor. Yet it did so without offering a convincing explanation for shunning the prohibitive favourite, opening the door to suggestions that the appointment was political, especially since Mr. Flaherty took an unusually public role in the selection process. ("The first time he does something people don't like, they are going to ask if he's doing it because the minister wants him to," said David Laidler, a professor emeritus at the University of Western Ontario and a former adviser at the Bank of Canada.)

Some will conclude that Ms. Nash is trying to exaggerate these concerns for her own political gain. After all, what is objectionable about institutions that do the people's work while being answerable to the people's representatives in Parliament?

At first glance, there is nothing wrong with it. But take a second look, and it becomes less clear that this issue is as clear-cut as Mr. Flaherty suggests.

The Bank of Canada's mission, as set out with the government, is to keep inflation advancing at an annual rate of 2 per cent. Independence is fundamental to the way inflation targeting works. Executives and investors will base their decisions on a 2 per cent rate of inflation if they are confident technocrats will be guided by nothing else. The closer politicians get to the day-to-day operations of the central bank, the less the public can be sure monetary policy will be set without consideration of the election cycle.

No one thinks central banks should operate as free agents. In the case of the Bank of Canada, the government sets the direction of monetary policy by appointing the governor and signing off on the central bank's policy mandate. The institution is supervised by a board of directors made up of government appointees.

Does adding veto over hiring decisions change anything? That's what Ms. Nash wanted the finance committee to think through. And for good reason: It's not difficult to invent a scenario under which Bill C-60 could be used to interfere with the Bank of Canada's conduct of monetary policy.

Say the governor wanted to hire a talented banker who worked at an investment bank that had become the focus of public vitriol for its role in a global financial crisis. Would Cabinet interfere with the appointment if there were a public outcry? Or to prevent one?

It is impossible to rule out the possibility. Yet such a scenario hardly is far-fetched. Bank of Canada Governor Mark Carney hired Tim Hodgson, the former head of Goldman Sachs's Canadian operations, as a special adviser in 2010. Would Mr. Carney have thought twice if he knew his internal appointments risked political censure? Again, there's reason to wonder. And suddenly, we're on a slippery slope: a simple "accountability" measure risks hurting the central bank's reputation as an independent actor.

Perhaps there are good reasons for the government to shorten the tether of the Bank of Canada and other Crowns. However, the government has yet to explain why it's necessary. Are the boards of directors of those institutions ineffective? Is payroll growth at Crown corporations out of control? Is cronyism rampant?

Or does the Prime Minister simply want to exert more influence over the quasi-independent arms of government?

Bill C-60 raises all these questions and more. Mr. Flaherty is a believer in accountability. He shouldn't mind answering them.

❧ ❧ ❧

Our Comment. Good question. The world is still missing a convincing answer to it. *W.K.*

Fantopian Update

An excerpt from Fantopian Update *by James Gibb Stuart, Ossian Publishers Ltd., www.ossianbooks.co.uk.*

With grateful acknowledgements to Mr. Ronald Morrison for the research which first inspired this anecdote.

I wonder if we could contrive some magnificent myth that would in itself carry conviction to our whole community – Plato, *The Nobel Lie*

Foreword

Fantopia is a fantasy land – like Lilliput in that the people are small but the central character big, though it's not Gulliver we encounter, but he constantly growing debt burden. Yet the fantasy is also close to home. The language has a Scottish accent, but we *all* live in Fantopia, a land where the politicians don't understand the problem, the economists keep quiet for fear of being thought eccentric, the bankers rule – not OK – and personally I feel like the Antiquarian struggling to understand.

Monetary reforms will welcome this fantasy because it exposes a reality. The People's credit has been stolen and turned into credit cards and overdrafts, benefiting the bankers but crushing the real and original owners under a debt mountain.

Whether we live in Fantopia, Scotland or elsewhere, we're all bamboozled by bankers. They've found an infallible way of robbing all of us of the *Seigniorage* that belongs to the People and of the power of the People's credit. In return they've shackled us with chains of debt.

The power of the People's credit should be used to ensure that whatever is socially and physically possible is also financially possible, and the kind of understanding that James Gibb Stuart brings can help us to see this, and should dissipate the lack of self-confidence which has prevented us acting to take power from the merchants of debt. Enjoy your Fantopia holiday. But learn from it

Austin Mitchel
MP for Grimsby

The Artistic Philanthropist

Once upon a time, in a far-off never-never land of Fantopia, there lived a Talented Engraver who worked on specially etched and watermarked paper to produce beautiful designs which for their artistry became greatly prized and admired. And because he was a *populist* who was concerned for the happiness and well-being of the society around him, when he found that his work commanded an intrinsic value, he developed a charitable instinct for bestowing some of his coveted designs upon the distressed areas of the community, where relief organizations and those catering for special needs soon discovered that they could trade the paper engravings for food and shelter, and all the things that a poverty-stricken environment would most require.

In response to increasing demand, the Engraver moved on to produce a range of designs that were even more remarkable than the first, and stamped them with denominations in Fantopian paper crowns, so that the thankful recipients would know what value to put on their acquisitions when they were exchanged for the necessities of life. The engravings spread far and wide across the queendom, were universally acknowledged and accepted, and stimulated business and commercial activity wherever they appeared because they put purchasing power in the hanks of the erstwhile deprived, and sought out the otherwise unused resources within the economy.

The farmer and the market gardener were getting better prices for their produce; no one with energy and skill, and the desire to use them, was denied an opportunity to be gainfully employed; the professional classes found fresh demand for their experience and their acumen, and the scholar and teacher for their knowledge. Almost universally in those areas where the design notes were freely circulating, there was an uplifting of that mood of crime and despondency which characterizes a disintegrating society. Everyone knew that they could immediately trade the Engraver's artistry to the benefit of themselves and their families.

Only the bankers and economists were worried. They said that the design notes had become a new kind of currency which would be *vastly inflationary* because it increased the money supply, and encouraged excess activity within a monetary system whose checks and balances depended upon a continuing measure of unrequited demand.

They tried to have the Engraver arraigned as a forger and counterfeiter, but failed to substantiate the charges because he was shown not to have peddled his notes deceitfully, relying purely upon their artistic value, and deriving no personal benefit from the distribution of his handiwork beyond the cost of paper and printing.

The engravings were judged to be *objets d'art* which the public were pleased to accept and exchange and freely circulate, and even the most ingenious of the bankers' lawyers could not establish this as a breach of the law.

In retaliation, the various private banking houses seized and sequestrated the design notes whenever they came into their hands, using them as collateral for the issue of negotiable bank credit which was loaned out at the going rate of interest. They also hinted darkly at the dire economic consequences that might ensue if Fantopians persisted in this absurd flirtation with what was at best a form of *funny money*, unfit to be traded in the same market place as the good sound orthodox finance which it was their business to purvey.

A Need for Poverty in the Midst of Plenty

This was not a threat to be taken lightly, for the bankers had much power and influence in Fantopia. At the advent of the New Era a benign Chancellor of the Exchequer had bestowed upon them total control of interest rates and money aggregates, and all the other regulatory devices which were intended to monitor economic activity throughout the length and breadth of the land. They were to be his champions in the battle against *Inflation*, portrayed everywhere as a frightful monster which, if left unchecked, would devour the nation's means and substance, and ravage the financial fabric upon which its prosperity depended.

The trouble was that almost everyone seemed to have a different definition of *inflation*, and few could agree about its effects and causes. In the old days of strikes and industrial disruption it had been diagnosed as a situation where *too much money was chasing too few goods*, and most people considered that to be a fair enough explanation of what might happen in an era of austerity. But when automation and technology had solved the manufacturing problem, and the shops and supermarkets were packed with many more goods than the public could want or need to buy, there had to be another reason for the persistence of inflation in an economy where the limiting factor was money, and goods were there for the asking.

The economists said that the matter was complex, much more so than the ordinary person could be expected to understand. Money supply was not finite, as so many people imagined. It could always be increased *on demand*, and if you created too much demand, you were back to the situation of *chasing too few goods*.

The trick, as they explained it, was to see that a certain level of demand was never satisfied. It meant lowering the expectations of certain sections of humanity, deferring their prospects of social and material uplift so as to cultivate a pool of idle resources which could always be used to soften the impact when there were signs of increased activity within the economy. It meant also that though individuals of energy and ability would always find ways to break out of his contrived poverty trap, that opportunity was best denied to the majority, lest the entire system be thrown out of balance. Nothing, they said could be more detrimental to economic stability than if an entire population was prompted to reach out for a share of the wealth and resources that human skills and ingenuity, plus technology and a bountiful Mother Nature, had placed in abundance around them.

"The poor are always with us," said the dignitaries of Church and State, and if they said it with regret and piety, and accompanied it with a prayer for the ultimate salvation of all mankind, the dictum was generally accepted without qualm or question. How in any case could it be challenged when it was backed up by so much prestigious authority, and the hard facts of economic history?

Everyone knew that life itself was a kaleidoscope of startling contrasts – of wealth and want, and rich and poor, of privilege and deprivation, of feast and fast, and burst and thirst, and gluttony and starvation. So why should there not be poverty in the midst of plenty? For it was a tough world where no one was owed a living, insisted those hard-headed and persevering economists.

Despite occasional impressions to the contrary, there was invariably a scarcity of money and resources for all the things they really wanted to do. Thus the truly desirable things could only be afforded by cutting back and downsizing, by minimizing on costs and maximizing on profits, by sackings and early retirements, by mergers and takeovers, by the pruning of margins, the sharpening of competition, the remorseless curbing of expenditure on everything that could not be made to operate at a profit. Only by such stringencies could they create that degree of *unsatisfied demand* in the economy which was so utterly necessary if fiscal targets were to be achieved. People just had to be made to realize that everything from the food they ate, and the water they drank – perhaps one day even the air they breathed – came at a price, a price that would have to be paid if this *Inflation* monster was to be fought to a standstill.

On all those matters, both the bankers and the economists agreed. They felt compelled to agree, because within the limitations of the economic model upon which they had founded their monetary science an their reputations, they could see no means of maintaining market equilibrium and social control without that pool of idle labour and unused resources. If they were kindly fellows at heart, they might occasionally have admitted to themselves that they had created a vested interest in human misery. It did not diminish their concerns about the activities of the Talented Engraver, who was threatening to eradicate poverty wherever he found it.

By the focused distribution of his artistic design notes, he was putting hope and ambition and purchasing power in the hands of the dispossessed. He was reviving localities which had lost faith in themselves as they despaired of Authority, but were now being made to realize that they had in their own hands the means of their salvation. Using the Engraver's tokens as their store of wealth, they were repairing their housing stocks, cleaning their streets of vandals and criminals, encouraging self-help and community spirit and local enterprise, mopping up and motivating human resources which had previously been left to wither in idleness.

The fact is that so long as money has to perform two functions – that of "tickets to consume" and at the same time that of a store of "wealth in itself" available for saving and investment – there will inevitable be a shortage of purchasing power in the consumers' market.

H.N. Smith MP, *The Politics of Plenty*,
G. Allen & Unwin Ltd. London, 1944

Bridging the Dee and the Dum

The controversy was still raging when two major construction projects began to attract nationwide attention. Tumbledum and Tumbledee, were two similar towns situated at extremities of the queendom, each built upon broad river estuaries which, with the rapid development of motor traffic, urgently required bridging.

Engineering surveys were encouraging. Due to the nature of the terrain in each case, road bridges were eminently practical, and it became a pressing priority in the council chambers of both municipalities to marshal the construction skills, experience and expertise that would be necessary to bring their respective projects to fruition. But whereas the town fathers of Tumbledum proposed to pay for the entire outlay by means of sound city finance – and engaged a renowned firm of merchant bankers to guide and advise them – the inhabitants of Tumbledee were electrified by the news that *their* elected members had been in touch with the Talented Engraver, who was promising to produce a unique range of designs which, stamped in appropriate denominations, would be presented as collateral for fees, stage payments and all the other costs and expenses that would fall due during the various stages of construction.

Needles to say, there was surprise and fury, disbelief, mockery and derision all at once in the City. Over time the bankers and financiers had become accustomed to the design notes circulating amongst the poorer communities, stimulating a certain amount of enterprise and commercial activity where none had existed before.

They had never ceased to grumble at it, referring ominously to its effects on the money stock and the demand/supply equation, warning that it would all come to grief in the end. They had accepted it because it was relatively significant, and because they thought they could contain it by refusing to re-issue Engraver notes which came across their counters. They claimed additionally that it was only through this policy of self-denial that they had averted the vast inflation which might otherwise have erupted.

But to consider such unorthodox methods for the funding of a major infra-structural project costing in excess of a million paper crowns? It was absurd. It had never been done before. It would make a nonsense of Exchequer constraints on the economy. It would destroy the value of the Fantopian crown on the international exchanges. It would cause inflation and depression, and inevitably a string of bankruptcies among the contractors. The bridge would never be finished. Its approach works and initial spans would lie moldering and rusting, waiting for some wiser heads to assume responsibility when the financing could be more competently handled.

By contrast, said the market analysts, Tumbledum would have its bridge on time, and to specification. It would be up and functioning, and beginning to pay for itself, whilst the municipal fathers of Tumbledee were still contemplating the consequences of their folly. The citizens of all Fantopia would come to rue the day when even a tiny minority of their number had been tempted to pursue the illusory benefits of the *maundy* money (a medieval distribution of the monarch to the poor) as the Engraver's notes had come to be called.

No Tolls on the Maundy Bridge

In this climate of threats and foreboding, both of the major constructional projects proceeded as they had been envisaged. Design, style and execution were broadly similar, and with friendly cooperation between the respective firms of engineering consultants, problems were ironed out as they were encountered, so that there was a minimum of planning hold-ups and delays.

Only in the manner of financing did the contracts differ. At Tumbledum, when staged disbursements were due, these were simply credited in bank drafts drawn upon one of the most highly respected of City institutions.

For the progress payments at Tumbledee, the Engraver produced designs of such artistry and beauty that they immediately commanded their face value in the market, and the construction work went on unhindered. *Both* bridges were completed on time.

For the Tumbledeenies traffic rolled freely across the estuary as soon as the visiting dignitary could deliver his speech and cut the red tape at the opening ceremony. For the Tumbledummies there was a short delay as the builders hurriedly installed tool booths at each end of the approach roads. This was necessary to cover the cost of the bank interest, which had been levied progressively on each of the stage payments, and was now accumulating.

It appeared that Tumbledummy road users would have to pay their share of that cost every time they traveled to and from those expanding suburbs on the other side of the estuary. It was an item which would never go away, for the interest was being compounded, and even with and escalation of toll charges in succeeding years. The debt on the Tumbledummy road bridge would be greater than it had been at the beginning.

On the other hand, there were no tolls and the road bridge at Tumbledee. By use of the *maundy* money, it had already been bought and paid for when it was finished.

Tumbledum Municipal Council

The Financial Controller submitted his Annual Report and Accounts for the first year of operation of the new Tumbledum Toll Bridge:

A total of 557,904 vehicles used the bridge, excluding emergency & Council vehicles. Average toll paid per vehicle was 49.92 cents. (See Table 1.)

Analyst's Report

Since this represents a small operating loss, with no repayment on Loan Capital, it is assumed that initial toll charges were set too low, and should be increased by 50% for the coming year. Even on a calculated reduced usage of 446,500 vehicles, this would raise projected earnings to 334,875 Crowns, sufficient to cover the shortfall.

Negotiations are also proceeding with Toll Operator's representatives for new shift-working arrangements which would reduce the payments for unsocial hours. By such economies, and curbs on miscellaneous expenses, it would then be hoped to maintain the changes for the foreseeable future, though this would depend on usage numbers not falling below the calculated minimum.

There is also the question of fiscal policy on a national scale, where an increase in lending rates could seriously affect the item for interest charges.

Table 1: Financial Statement

	Crowns	Crowns
Income from tolls		278,500
Wages and salaries	127,000	
Unsocial hours premium	27,402	
Social Security, etc.	12,721	
Maintenance and sundries	64,215	
Consolidated loan and bank interest	71,532	
Analyst's fees, capped at	1,000	
	303,870	278.500
Operating Loss		25,370
	303,870	303,870

Dealing with the Design Notes

Despite the furor which had been created in banking circles, very few of the significant facts of the matter had got through to the front pages of the mass circulation newspapers, where it was effectively sidelined by the unending flow of sports spectaculars, or the latest sex scandals affecting stage stars and political public figures.

This was how the regime of Him the Incomparable preferred it to be, because though Fantopia was constitutionally a democracy, the people were not expected to have any opinions on public money and finance. Even so, in the back rooms of the counting houses, and in the recesses of the treasury, there had to be many doubts and questionings about this blatant challenge to the tenets of monetary orthodoxy. Much seems to hinge upon the mystique that had been built around the techniques and skills of the Talented Engraver, whose ability to produce works of art with an immediate intrinsic value had been the key to the remarkable transformation whereby Tumbledee got its road bridge debt free, and there was a dramatic alleviation of poverty in the ghettos of Fantopian cities.

Since the Engraver was mortal, there had to be an end to his talents and his artistic output, a circumstance which comforted the bankers and financiers, but concerned all those who found a rare merit in his accomplishments, and thought society at large should find means of consolidating his achievements into some form of permanent advantage. It meant coming to a proper understanding of what had happened in the Fantopian economy when his design notes came to be accepted by the public as having an immediate value.

Did that make them a new type of money? And was there a danger that other experiments of this nature could spring up at any time? Was the entire structure of orthodox finance, built up over the centuries by usage and protocol, to be jeopardized by the next public-spirited philanthropist to put a novelty on the market, and have it accepted as collateral for desirable social projects, in preference to proper institutional funding? And if that happened, where would it all end?

To make matters even worse, the inhabitants of Tumbledum had organized a campaign against the tolls on their road bridge. A number of prominent citizens kept driving across the bridge, and refusing to pay the tolls, until they got themselves arrested. There was considerable publicity when their cases were brought to court, and invidious comparisons were inevitably being made with the bridge at Tumbledee, which was toll-free because it had been financed by the *maundy* money.

Meanwhile news of the Talented Engraver had leaded abroad and his design notes were tending to become collectors' items. Already some of his earlier numbers had appeared in catalogues at metropolitan auction houses, where they fetched sums considerably in excess of their denominated value.

Grimly the trading banks were still taking them out of circulation at every opportunity, listing them as gilt-edged securities, and showing them as reserves on their balance sheets. It was all very, very peculiar, and very, very unsettling for those who felt they carried the whole mantle of monetary orthodoxy on their shoulders. So there was relief all around when, in true Fantopian tradition, the Government of Him the Incomparable set up a small working party to advise on their future course of action.

To be continued.

Letters from COMER Readers

Dear COMER folks,

I'm the granddaughter of Geoff Hopkins, a long-time COMER member and organiser in the Saskatoon branch (his last COMER meeting was held at his home only a couple of weeks before he died at the age of 95!), and a PhD student studying heterodox economists in Canada.

I am dismayed to find that some of the books my grandpa highly recommended were not to be found in Cambridge, UK, where I'm studying. The online copies are 85 GBP or more, which is prohibitive, and I know from talking to my grandpa some years ago that your goal is primarily to educate the public and that COMER often provides packages of books to libraries at a discounted price.

In essence I'm wondering if I can be considered a library for your purposes, and would it be at all possible to get a package of books (hopefully including Paul Hellyer's *Funny Money*, William Krehm's *Meltdown*, and anything by John Hotson; I've had a hard time finding them at less-than-extortionist prices) from you. I'd also be interested in any other books you would particularly highly recommend. I will happily pay a fair price.

All the very best,

Ellen Quigley, PhD Candidate, Cambridge University

Editor: The volumes mentioned will be provided free of charge to Ellen and to the libraries at Cambridge University with COMER's compliments.

❧ ❧ ❧

Good Morning,

I am writing to you as a concerned global citizen residing in Australia. I am supportive of your cause 100% as we are faced with the same dilemma, a central bank that has the power to issue and print interest free currency, a central bank controlled by the Bank for International Settlement, the World Bank – our government donating 7 billion dollars to them and then today announcing that Australia has a 7 Billion Dollar budget blow out and need to implement cutting to government spending and services that will lead to sale of public assets in the near future. I am attempting to contact as many institutions that want to form a global initiative to lobby the media, which will be difficult as they are owned by the BIG 4 – Vanguard, Blackrock, Statestreet, and Fidelity but have to try. An internet campaign wont work, action is needed to knock on doors, distribute information and get signatures.

Nations have to get together and peacefully and simultaneously show that we know what is going on. There countries without a central bank and they are being attacked by the big 4 owned media as rogue states, the US is aiding rebels in Syria, The North Koreans are about to go to war and are terrorists and Iran is building WMD – all lies.

I am after your advice to begin action here in Australia as your organisation has been successful in gaining a day in court to fight back. I am after ideas to give to governments on the design if a trillion dollar coin that could be coined to wipe the public debt, the US needs 17 of them!! I have read Canada's constitution and the *Bank of Canada Act* and yours like ours has in it the ability for the Government to print its own money and control the money supply, we have this in common I have attached these.

I have been in contact with Restore Australia, who are very similar to your organisation and are attempting to gain support for the Australian Constitution to be amended to allow the holding of Referendums on issues if enough support can be gathered by petition of 140,00 signatures I will be in contact with other organisations as they are found.

I am hoping you will be in contact soon and my best wishes are with you in the fight for real freedom.

Kind regards,

Rick Searle

❧ ❧ ❧

On April 27, 2013, Gregory Crook wrote:

I have read the December 2012 proceedings. Where is this court case now?

Thank you.

G. Crook, Perth, ON

Our response:

The case is with the court and we are waiting for the next court date.

Dear Sir,

Thank you for this information. I know that the courts can take what would appear to be outrageously long periods to come to a decision – I presume the judge must review musty legal tomes to decide the issue; I read through most of the verbatim text of your lawyer, and to a layman such as me the case appears to be open-and-shut in your favour. It's my understanding that this phase of the case is simply to get a decision to proceed to court – is that correct?

In other words, this case, which I look upon as the bedrock, underlying primary cause of the entire social backwardness/devolving fabric of our country – infrastructure, health care, education, social programs, etc – is in the hands of one lone individual? Needless to say, the weight of the vested interests lies heavily on his mind, given that (if I understand correctly) a decision against you would halt the attempt to rectify this egregious fraud in its tracks. And to what purpose? To line the pockets of a banking cartel.

I have recently been thinking about this issue in the global context: the unbelievable poverty and decay of the USA, the situations in Greece, Spain, Portugal (where just recently the PM announced the coming cuts of 30,000 government employees), Africa – that this infinite level of suffering being experienced by millions and millions of human beings is all traceable to the international banks. There truly is a "dark ruling class" behind the smiling politicians – and if your case is won, will be an outrage to that structure. Are you aware of any petition that has been created to support your case?

Avaaz.org is a Canadian site where petitions in the public interest can be initiated – they have a very successful track record globally. Please advise.

Your feedback would be appreciated.

Sincerely,

Gregory Crook, MSc

Certain Television Fare Can Help Ease Aggression in Young Children, Study Finds

By Catherine Saint Louis, The New York Times, February 18, 2013

Experts have long known that children imitate many of the deeds – good or bad – that they see on television. But it has rarely been shown that changing a young child's viewing habits at home can lead to improved behavior.

In a study published Monday in the journal Pediatrics, researchers reported the results of a program designed to limit the exposure of preschool children to violence-laden videos and television shows and increase their time with educational programming that encourages empathy. They found that the experiment reduced the children's aggression toward others, compared with a group of children who were allowed to watch whatever they wanted.

"Here we have an experiment that proposes a potential solution," said Dr. Thomas N. Robinson, a professor of pediatrics at Stanford, who was not involved in the study. "Giving this intervention – exposing kids to less adult television, less aggression on television and more prosocial television – will have an effect on behavior."

While the research showed "a small to moderate effect" on the preschoolers' behavior, he added, the broader public health impact could be "very meaningful."

The new study was a randomized trial, rare in research. The researchers, the Seattle Children's Research Institute and the University of Washington, divided 565 parents of children ages 3 to 5 into two groups. Both were told to track their children's media consumption in a dairy that the researchers assessed for violent didactic and prosocial content, which they defined as showing empathy, helping others and resolving disputes without violence.

The control group was given advice only on better dietary habits for children. The second group of parents were sent program guides highlighting positive shows for young children. They also received newsletters encouraging parents to watch television with their children and ask questions during the shows about the best ways to deal with conflict. The parents also received monthly phone calls from the researchers, who helped them set television-watching goals for their preschoolers.

The researchers surveyed the parents at six months and again after a year about their children's social behavior. After six months, parents in the group receiving advice about television-watching said their children were somewhat less aggressive than others, compared with those in the control group. The children who watched less violent shows also scored higher on measures of social competence, a difference that persisted after one year.

Low-income boys showed the most improvement, though the researchers could not say why. Total viewing time did not differ between the two groups.

"The take-home message for parents is it's not just about turning off the TV; it's about changing the channel," said Dr. Dimitri A. Christakis, the lead author of the study and a professor of pediatrics at the University of Washington.

"We want our children to behave better," Dr. Christakis said, "and changing their media diet is a good way to do that."

Until she began participating in Dr. Christakis's trial, Nancy Jensen, a writer in Seattle, had never heard of shows like Nickelodeon's *Wonder Pets!*, featuring cooperative team players, and NBC's *My Friend Rabbit*, with its themes of loyalty and friendship.

At the time, her daughter Elizabeth, then 3, liked *King of the Hill*, a cartoon comedy geared toward adults that features beer and gossip. In hindsight, she said, the show was "hilariously funny, but completely inappropriate for a 3-year-old."

These days, she consults Common Sense Media, a nonprofit advocacy group in San Francisco, to make sure that the shows her daughter watches have some prosocial benefit. Elizabeth, now 6, was "not necessarily an aggressive kid," Ms. Jensen said. Still, the girl's teacher recently commended her as very considerate, and Ms. Jensen believes a better television diet is an important reason.

The new study has limitations, experts noted. Data on both the children's television habits and their behavior was reported by their parents, who may not be objective. And the study focused only on media content in the home, although some preschool aged children are exposed to programming elsewhere.

Children watch a mix of "prosocial but also antisocial media," said Marie-Louise Mares, an associate professor of communications at the University of Wisconsin, Madison. "Merely being exposed to prosocial media doesn't mean that kids take it that way."

Even educational programming with messages of empathy can be misunderstood by preschoolers, with negative consequences. A study published online in November in *The Journal of Applied Developmental Psychology* found that preschoolers shown educational media were more likely to engage in certain forms of interpersonal aggression over time.

Preschoolers observe relationship conflict early in a television episode but do not always connect it to the moral lesson or resolution at the end, said Jamie M. Ostrov, the lead author of the November study and an associate professor of psychology at the University of Buffalo.

Preschoolers watch an estimated 4.1 hours of television and other screen time daily, according to a 2011 study. Dr. Ostrov advised parents to watch television with their young children and to speak up during the relationship conflicts that are depicted. Citing one example, Dr. Ostrov counseled parents to ask children, "What could we do differently here?" to make it clear that yelling at a sibling is not acceptable.

He also urged parents to stick with age-appropriate programming. A 3-year-old might misunderstand the sibling strife in the PBS show "Arthur," he said, or stop paying attention before it is resolved.

❧ ❧ ❧

Our Comment. What is at issue, and must not be lost sight of, is that utilizing carefully chosen social information is likely to result in losing, and literally destroying, all residual value of a carefully processed analysis. After the evaluations undergone in the processes described, what remains is a fully embodied encounter between the processing already undergone and the basic nature of what remains to be done. Lose sight of that, and you destroy what has already been achieved, and make a new and ever more critical stage of key analysis needed. *W.K.*

The Illusion of Growth

By Neil Macdonald, CBC News. Posted April 30, 2013. Part 1 appeared in the May issue of ER.

Mark Grant sits on the aft deck of his yacht in South Florida's spring sun, ostentatiously relishing his wealth as only an American does, and dispensing advice. He's made his money, and he likes to wear it.

Grant's personality is as big as his mansion and as flashy as his collection of exotic cars – he actually calls himself "The Wizard," a tribute to his own financial acumen.

While we are talking, his cellphone rings intermittently, and the callers are usually serious moneymen. Bill Gross of Pimco, the world's largest bond agency, is a friend; his praise adorns the dust jacket of Grant's recent book. Inevitably, the callers are seeking investment advice.

A nearly 40-year Wall Street veteran, Grant is currently the managing director of a Texas-based investment bank and the author of a daily must-read investment commentary called Out of the Box.

His advice these days to tycoons and small investors alike is simple and direct. For heaven's sake, seek safety. Preserve your capital. "Keep what you have."

To Grant, the central banks' money printing has distorted the financial universe beyond any sensible dimensions.

The Federal Reserve alone is churning out $85 billion a month, or just over a $1 trillion a year. The combined balance sheets (which reflect created money) for the European Central Bank and the 17 individual banks of the eurozone stand at $3.45 trillion.

The Bank of England, the most energetic money printer in the world relative to the size of the economy it serves, has printed £375 billion (roughly $576 billion US), and is probably going to print more. The Bank of Japan has just launched an aggressive money-printing program of its own, planning to double the size of its balance sheet within two years.

In all, at the end of 2012, the balance sheets of the world's largest central banks, those of the G20 nations and the eurozone, including Sweden and Switzerland, totalled $17.4 trillion US, according to Bank of Canada calculations from publicly available data.

That is nearly a quarter of global GDP, and slightly more than double the $8.5 trillion these same institutions were holding at the end of 2007, before the financial crisis hit.

The idea behind all this central bank largesse is to reflate the world's money supply after the disastrous meltdown of 2008 and, at the same time, push interest rates down as far as possible in an attempt to get people – and companies – borrowing and spending again.

To date, however, the results have been mixed. The US economy has been inching forward, while Britain's is teetering on a triple dip into recession. Much of Europe is also deep in recession and sinking under the weight of high unemployment.

Whether the massive money-printing program known as quantitative easing has prevented an even worse situation is debatable. But this much is certain: It's simply impossible to unleash such economic forces without serious consequences, intended and unintended.

Bubble Economies

Just about everyone agrees the Dow Jones industrial average – the measure of blue-chip America – did not reach an all-time high recently because of vibrant economic growth or fabulous performance by the companies listed in that index.

Markets are where they are principally because the Federal Reserve has been gobbling up US treasury bills, the safest investment on Earth, in a deliberate attempt to force private investors into riskier assets, like stocks. It's a high-stakes form of market engineering.

The Fed has been acting in rare concert with central banks worldwide to encourage borrowing and spending – and risk. And because all the new money being unleashed has to flow somewhere, it's been flowing, among other places, into the equity markets.

At the same time, the super-low interest rates resulting from all this money printing have heated up real estate markets in big cities worldwide – Toronto and Vancouver being perfect examples.

Grant says the markets and governments have developed an addiction to easy, cheap money to finance irresponsible borrowing.

"All this printing of money is creating a market that rests on a fantasy," he says.

For the first time ever, there isn't a single bubble out there, but an "entire world in a bubble. Every asset class, everything you can think of. Everything is in a bubble and something is going to prick it.

"The party," he says with great certainty, "is going to end."

An Enormous Bet

Think-tank economists, who rely on econometric models and speak a language so encoded as to be incomprehensible to most people, tend to look down their noses at analysts like Grant, referring to them as "the newsletter crowd."

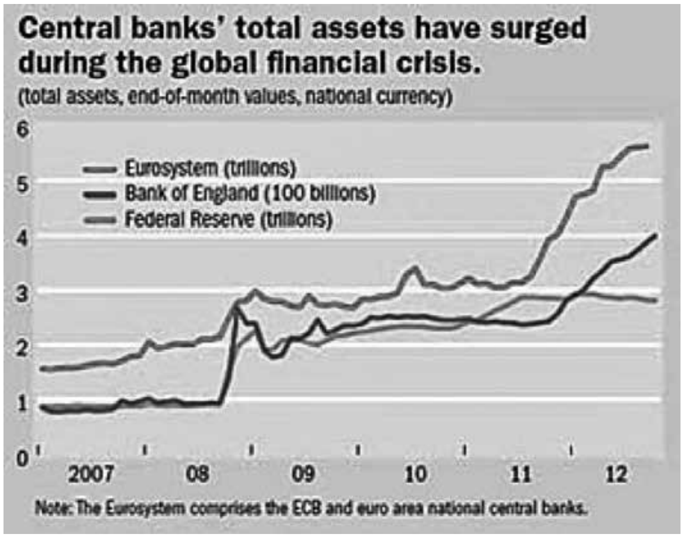
But Grant has shown prescience. He was among the very first to predict Greece's financial implosion, and he has correctly pointed up the book-cooking and outright fraud in other eurozone economies.

He is also far from the only one contemplating a bad ending.

Recently, the Bank of International Settlement in Basel echoed Grant's concern that markets are developing an easy-money habit; and the International Monetary Fund just published a paper acknowledging the possibility of all this money printing (which it calls "monetary policy plus") creating widespread bubbles and difficult adjustments down the road.

Ros Altmann, a pension manager and a governor of the London School of Economics, compares quantitative easing to treating a sick patient with medication that doesn't work, and then, when the patient gets sicker, administering even more.

Stability risks: In a recent report, the International Monetary Fund sets out three big "stability risks" it sees in unwinding all this quantitative easing:
- That a prolonged period of low-interest rates might affect the solvency, and maybe the level of risk-taking, of banks, pension funds and life insurance companies that require regular yield to keep afloat.
- That, conversely, a quick interest rate spike could weaken loan performances and also hurt banks' bottom line.
- That uncoordinated exit plans by the central banks might lead to currency devaluations and trade wars if certain central banks and their governments decide to go their own way.



The surge in "new money" on central bank balance sheets since 2008. (International Monetary Fund)

"It must stop," she says. "It is hugely dangerous. I think history will judge this period very harshly."

Still, the central bankers have at least as many fans as they do critics.

Don Johnston, the former president of the Treasury Board in the Trudeau government and a former director of the Organization for Economic Co-operation and Development, admires them greatly.

"I think they have more credibility than politicians," he says, "and it's been very fortunate that nearly all central banks are independent of the political arm."

Johnston concedes that the central banks' power at the moment is "immense." But he adds: "We had a big fire, and they absolutely had a critical role to play, and they played it, I think, extremely well."

Still, even Johnston, with his deep experience in government finances, allows that he doesn't fully understand the complexities of today's monetary policy, and the arguments for or against opening the spigots as much as they have been.

By acting in concert to push the world in the same direction, the central bankers have made some enormous bets. And, says Johnson, "they'd better be right."

The trouble is, they've been wrong in the recent past.

Central bank economic forecasts in recent years have sometimes been well off the mark, meaning they, too, can be acting on mistaken assumptions.

Also, even someone as seemingly omniscient as Alan Greenspan, the Federal Reserve chief through the Clinton and Bush years, publicly admitted his blunder in refusing to regulate the murky world of credit default swaps, which acted as accelerant in the 2008 disaster.

How to "Unwind"

Conservative economists have predicted for years that expanding the money supply will inevitably lead to inflation, or even hyperinflation. That, of course, has not happened in this instance, mainly because there's been so little economic growth and because the world is awash in the production of consumer goods.

But the big question, nearly everyone agrees, is whether the central banks can "unwind" the unprecedented situation they've created without massive disruption (not least to their own balance sheets, which are now stuffed with long-term, low-interest bearing bonds as part of the quantitative easing).

It's an impossible question to answer.

The financial markets scrutinize the abbreviated minutes after every meeting of the Federal Reserve committee that authorizes QE, looking for any sign money printing is about to end.

That ending would signal a rise, perhaps even a sharp one, in interest rates, which could hit the housing market hard.

Homeowners with only a small amount of equity and who are already stretched to the limit would be sorely stressed.

Significant interest rate changes could also affect banks, pension funds and insurance companies, as well as small businesses that have been relying on cheap credit to expand payrolls.

And higher interest rates would also slam into government budgets. Politicians have come to rely on cheap money to finance their borrowing and spending. Of course, the top people at the Bank of England, the Federal Reserve and the Bank of Canada all argue a return to normalcy can be managed.

Just as the central banks have the power to create money, says Canada's Mark Carney, they have the power to pull money out of the system, and will, slowly, as growth returns.

They can begin selling off the assets they've bought with all this new money, and they have the all-important power to set central interest rates. If growth takes off, in fact, they will have to do those things in order to contain inflation.

But no "unwind" will happen soon, says Carney. "The repair is ongoing."

In Florida, Mark Grant tells his clients that there are no good endings to all this, "only less bad endings."

One of the big causes of the 2008 meltdown was too much cheap money, he notes, "and there's a lot more now."

Mainstream economists can't agree on whether an orderly unwind can happen. But then, as Don Johnston points out, "economists don't know what they don't know."

Meanwhile, the central bankers all seem to have landed on the same side of the issue, and are marching in step, urging people to borrow and spend for the good of all.

"Ultimately," says Carney, "history will judge whether we got this right."

Neil Macdonald is the senior Washington correspondent for CBC News, which he joined in 1988 following 12 years in newspapers. Before taking up this post in 2003, Macdonald reported from the Middle East for five years. He speaks English and French fluently, and some Arabic