

COMER

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CONTENTS

- 2 Lawyer Rocco Galati Targeting Federal Appeal Court Vacancies
- 4 Money Creation
- 5 Backbench Business: Money Creation and Society
- 8 Warning — Bank Deposits Will Soon No Longer Be Considered Money But Paper Investments
- 9 This Publicly-Owned Bank Is Outperforming Wall Street
- 11 Money and the Game of Small Ball
- 12 Stephen Lewis Roars Once More in Takedown of Stephen Harper Government
- 13 Canadians Paying High Price for Supply Management System
- 14 Blue Dot Tour Is Over. Now the Movement Begins!
- 15 Booklist and Gift Ideas
- 16 Europe's Austerity Disaster
- 17 An Ear for Suicidal Students
- 18 International Movement for Monetary Reform
- 20 Podemos Hopes to Cement Rise of Citizen Politics in Spain After Election Success

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BRIEFING FOR BACK BENCH, THURSDAY, NOVEMBER 20, 2014

Money Creation and Society Debate

PositiveMoney, www.positivemoney.org, November 2014

Cross party support for a public debate about money creation

"The mechanics of money creation are poorly understood by politicians, the public and even economists. The result is a thoroughly inadequate debate about the causes of the economic crisis, the fundamental reasons for economic injustice and the source of some of the most corrupting influences on our society. Until money creation and its consequences are widely understood, it is difficult to see how public policy will serve the public good." — *Steve Baker, Conservative MP*

"I do welcome that such fundamental questions are being asked about how the money in our economy is being created and used, how our financial system can be more transparent and accountable and work for the benefit of the country as a whole." — *Ed Miliband, MP, Labour Leader*

"I do accept that there is a problem that not enough people, including policymakers, understand how new money is created. This is a problem for a number of reasons, not least that it can hamper attempts at effective reform of the banking system. The creation of money is a matter of significant public interest and we need to make sure it does not become an obscure and technocratic debate." — *Nick Clegg, MP, Liberal Democrat Leader*

The debate that Positive Money has started is an incredibly important one. We all need to better understand the role that money and its creation plays in our economy. There is no doubt that our financial system and the ecosystems on which we depend are at the point of collapse. We can tackle both problems simultaneously if we'd only admit

their interdependence. If we'd only recognize that how we spend money and how we create money, has an impact on our environment."

— *Caroline Lucas, Green Party MP*

"[C]ommercial banks have an even greater power than that: they have the power to create credit — that is, money — by expanding their balance sheets. It is not widely understood how important this power is: of the money presently in circulation in the UK economy today, three per cent takes the form of cash; 97 per cent is in credit and deposits. This financial alchemy is an extraordinary privilege, which we as citizens and taxpayers underwrite." — *Jesse Norman, Conservative MP, "The Case for Real Capitalism"*

"The key issue which this country has got to face up to is the restoration of democratic accountability via the control over the money supply." — *Michael Meacher, Labour MP*

This Subject is Gathering Momentum

The International Monetary Fund released a paper called the "*Chicago Plan Revisited*";¹ which lays out proposals to prevent the creation of money by the banking system — along the lines of Irving Fisher's proposals following the Great Depression. The paper's "full reserve banking" reform aims to return the control of the supply of money to the state and prevent financial crises from occurring.

The Treasury released a "Review of the Monetary Policy Framework"² alongside the government's 2013 budget. The review explicitly permits the Bank of England to use "unconventional policy instruments" in order to help the government meet its policy objectives to "achieve strong, sustainable

Continued on page 2



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Debate from page 1

and balanced growth that is more evenly shared across the country and between industries." This opens the door to alternative methods of creating money and getting it into the economy, and provides the opportunity to stimulate a wider public debate about the monetary system.

Martin Wolf, chief economics com-

mentator at the Financial Times, wrote an article on 24th April, called "Strip private banks of their power to create money."³ In this article Wolf comes out in support of switching from bank-created debt, to a nationalised money supply: "Printing counterfeit banknotes is illegal, but creating private money is not.... [This anomaly] could – and should – be terminated."

Lawyer Rocco Galati Targeting Federal Appeal Court Vacancies

By *Donovan Vincent, Toronto Star, November 10, 2014*

The Toronto lawyer who launched the case that blocked Justice Marc Nadon's appointment to the Supreme Court of Canada, is threatening a Constitutional challenge if Ottawa doesn't fill several vacancies on the Federal Court of Appeal.

Rocco Galati sent an open letter Monday to Prime Minister Stephen Harper, the Attorney General of Canada, and Governor General David Johnston, saying there are five vacancies on the appeal court that must be filled.

He points out that the law calls for a chief justice and 12 full-time judges to sit on the court. Currently there is the chief justice, seven full-time judges, and three supernumeraries serving part-time. Galati says the *Federal Court Act* calls for 12 full-timers, so the part-timers don't count.

The shortfall is causing major headaches, Galati said in an interview Monday evening. Getting a case heard in the court used to take about three or four months, but can take up to eight or nine months now, he argues.

"The average person is waiting longer and longer for their appeals, and the court gets overburdened," he said.

"They (the federal government) get to appoint, but don't get to choose not to appoint a vacant seat. That's unconstitutional. They can't just consciously and deliberately hold seats vacant, because then that affects our rights to have our judiciary intact," the lawyer added.

"As a citizen, and a lawyer who does the majority of his work in Federal Court, and its appellate division, this is unacceptable," Galati says in his open letter.

The underlying constitutional right to a fair and independent judiciary is breached by the vacancies, he goes on to argue.

In addition, having five "missing judges"

means regional representation on the court is "distorted," he argues. Five of the seven full-time judges are from Quebec, which fulfills the statutory Quebec quota of five, but is problematic regarding representation for the rest of the country, Galati adds.

"These appointments have always been a matter for the Executive and will continue to be," said Clarissa Lamb, spokesperson for Justice Minister Peter MacKay. "The appointment process includes broad consultations with prominent members of the legal community. We will respect the confidentiality of the consultation process and will not comment on specific recommendations."

The Federal Court of Appeal hears appeals from the judgments of the Federal Court and of the Tax Court of Canada. It also has authority over judicial reviews and appeals from federal tribunals, and bodies such as the National Energy Board and the Canadian Radio-television and Telecommunications Commission.

Galati is famed for launching a challenge last year to the federal government's appointment of Justice Marc Nadon to fill a vacant Quebec seat on the Supreme Court of Canada.

Earlier this year the high court ruled that Harper-appointed Nadon isn't eligible to sit on the Supreme Court because he serves on the Federal Court of Appeal and was not a Quebec bar association member.

The Supreme Court ruled the three high court seats set aside by law for Quebec are restricted to superior court trial or appellate level judges, or current members of the Quebec bar – not members of the Ottawa-based Federal Court, or Federal Court of Appeal.



Our Comment. If only our poor Prime Minister were not kept so busy gallivanting around the world in our best interest! *Élan*

Lord Adair Turner (former Chairman of the Financial Services Authority) delivered a speech in February 2013 entitled, “Debt, Money and Mephistopheles: How do we get out of this mess?”⁴ In this speech Turner discussed an alternative to Quantitative Easing, which he termed Overt Money Finance (also known as Sovereign Money).

The Institute of Public Policy and Research released a report recommending that a parliamentary commission is set up to investigate the role of money and credit within the economy and research alternatives to current monetary policy.⁵

Centre Forum released a report entitled “The wrong sort of money”⁶ suggesting that current monetary policy tools are out of date. They stated that “QE is not the only game in town: there are other attractive options out there ready to be explored.”

The New Economics Foundation has released a report suggesting that “Strategic Quantitative Easing”⁷ could have had a better effect on the economy. They propose that, “We suggest the formation of a Monetary Allocation Committee that would be accountable to the Treasury and Parliament but separate from the Bank of England’s existing Monetary Policy Committee (MPC). The new committee would decide how best to allocate new QE funding and any reinvestment of maturing gilts (almost £100bn are being repaid over the next five years).”

The Cobden Centre advocate that significant changes must be made to the monetary system. They state that: “a society must be built on honest money.”

Parliament places huge scrutiny on how taxpayers’ money is *spent*. But for the last 170 years, parliament has ignored the question of how money is *created* in the first place.

Money creation affects almost every aspect of our lives, but it’s very poorly understood. A recent poll found that 7 out of 10 MPs believed that only the government can create money,⁸ when in fact 97% of money is created by banks as they make loans, as recently confirmed by the Bank of England⁹:

“In the modern economy, most money takes the form of bank deposits. But how those bank deposits are created is often misunderstood. The principal way in which they are created is through commercial banks making loans: whenever a bank makes a loan, it creates a deposit in the borrower’s bank account, thereby creating new money...97% of the money held by the public is in the form of deposits with banks, rather than currency.”

A 2010 survey¹⁰ shows that two-thirds

of the British public believe that banks take people’s savings and lend those savings to borrowers – suggesting that the British public do not understand that private banks create money out of nothing. In a time when finance literacy is becoming compulsory in education, a better understanding of how banks and money work is vital.

As shown in Figure 1, between 2000 and 2008, the amount of money – and debt – in the UK economy doubled as a result of money creation by bank lending. This created the debt-fuelled boom that ultimately led to the financial crisis.

From 2011-2014 just 8% of new loans were made to businesses. The majority of new loans are directed to financial markets and mortgage lending.¹¹ This may explain why our economy is skewed so significantly towards housing and financial services.

Public polls show that the economy is consistently ranked as the most important issue that people and their families are facing.¹²

The problems resulting from private money creation have not been debated in Parliament since 1844, when Sir Robert Peel brought in the *Bank Charter Act*, forbidding the private banks from printing paper money. In light of the financial crisis, the urgent need to re-visit this issue and consider updating the 1844 *Bank Charter Act* to include electronic money, is increasingly evident.

There are important questions that Parliament should address, such as:

Who should create money? Should high-

street banks have the effective right to create money every time they make a loan, given the recent consequences for the economy? Would parliament ever have voted to delegate the power to create money to the same banks that caused the financial crisis? Should the creation of money be the sole right of the state, through the Bank of England?

How should newly created money be used? Currently the bulk of money created by bank lending goes directly into the property market, pushing up house prices. Just 8% of UK bank lending goes to businesses outside the financial sector. Do we want banks to have the power to create money when this leads to unaffordable housing and financial instability? Should we have allowed the Bank of England to create £375bn with little scrutiny from parliament, and used this money to inflate financial markets? Were there better uses of this money?

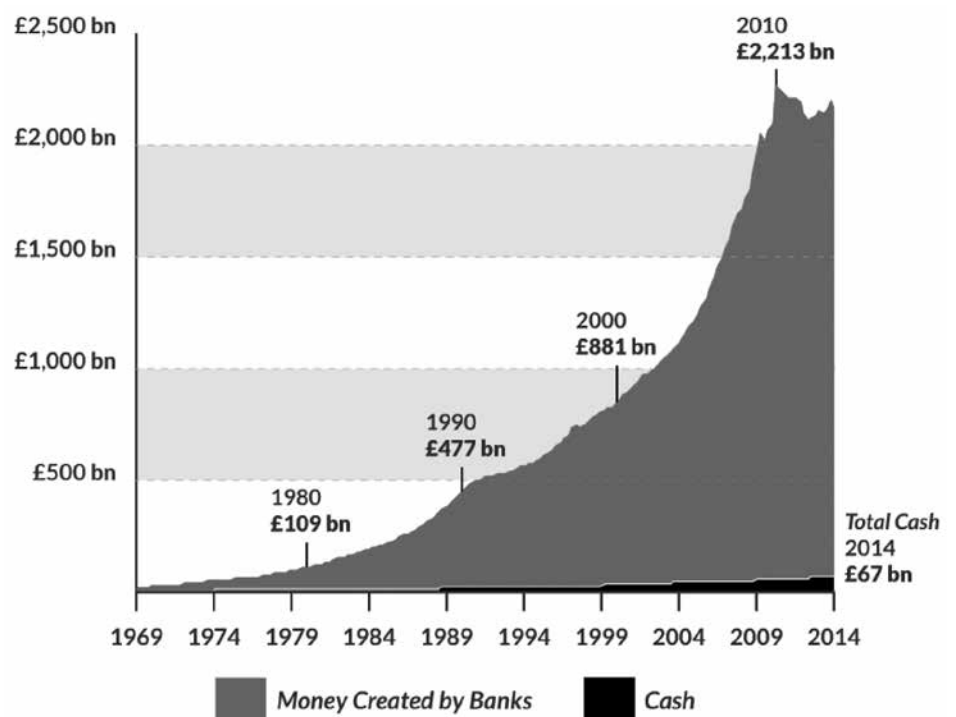
For more information please see www.positivemoney.org.

End Notes

1. www.imf.org/external/pubs/ft/wp/2012/wp12202.pdf
2. www.gov.uk/government/publications/review-of-the-monetary-policy-framework
3. www.ft.com/cms/s/0/7f000b18-ca44-11e3-bb92-00144feabdc0.html#axzz32zxNSitC
4. www.fsa.gov.uk/static/pubs/

Continued on page 15

Figure 1



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Money Creation

Dear Premier Wynne, Minister Sousa, Minister Hoskins and MPP Zimmer:

I watched the entire Money Creation debate from the UK House of Commons last night after work. This non-partisan debate was prompted by the UK Positive Money organization with the hope that discussion would bring 'Money Creation' to the attention of the MPs and educate Those In Parliament who were somewhat mystified by the process. Unfortunately (as you can see from the video) the seats were far from full. However, I found the debate very well argued and I agreed with the MPs that these discussions definitely should continue.

Differences of opinion surfaced as to what should be done to correct the nasty financial situation in which we find ourselves. But *everyone* agreed that the world's financial situation was *dire*. And *no one*, among those present at least, disagreed that money is *created* "out of nothing" when banks make loans; and that money is *destroyed* when the loan is repaid.

The preoccupation with paying government debt is going to end up *removing* money from circulation where it's *needed to create jobs*. Privatization in order to repay government debt is one of the unfortunate outcomes. Jobs are eliminated and wages are invariably reduced by the new owners; money is taken from those who really need it and is given to those who don't. Our heritage, maintained by generations of taxpayers, is being sold, often to those who bear no allegiance to the province or country.

I'm sure you are noticing that Ontario public service employees and Ontario citizens who need their services have been protesting the job cuts and the paring down of services. *Not only is "austerity" not necessary but it is perpetuating and exacerbating the very situation you are trying to correct!*

The fact is that, "anything physically possible and desirable can be made financially possible."

This was confirmed by Graham Towers, the founding governor of the Bank of Canada when, in 1939, he appeared before Parliament's Banking Commerce Committee to explain and defend what he had done and proposed to do.

The *Bank of Canada Act* provides that the federal government may lend the provinces money at little or no interest through

the use of our central bank, the Bank of Canada, which was nationalized in 1938.

I was most interested in your comment, reported in a *Toronto Star* article (by Richard J. Brennan, Queen's Park Bureau, *Toronto Star*, August 7, 2014), that the federal government used to fund infrastructure, but had ceased doing that. Congratulations! To my knowledge, you are the first premier to make this information public.

Between 1938 and 1974, the government used such nearly interest-free money to fund projects such as the construction of the Trans-Canada Highway and Medicare – *without appreciable debt or inflation*. Canada abandoned a four-decade run of prosperity when it stopped borrowing from its own bank, borrowing instead, from private banks at compound interest following a policy adopted by the Basel Committee at the Bank for International Settlements (BIS).

This policy change had, by 2012 cost Canadian taxpayers C\$ 1 trillion in interest – twice its national debt.

Provincial governments owe it to their electorate to educate them to their monetary option under the *Bank of Canada Act*, and to press the federal government to exercise its statutory duties.

Austerity will simply impoverish us further and end in economic collapse.

Selling off our assets is irresponsible and a dereliction of duty.

Please watch the debate on YouTube at www.youtube.com/watch?v=EBSISUIT-KM and/or read the transcript at <http://bit.ly/1rqvLxQ>. There's a lot more to be learned from the proceedings. And send it on.

Judy Lewis, COMER Steering Committee



Our Comment. We will publish the transcript in three installments of the *ER* beginning in this issue on page 5. We should flood our MP's and our MPP's with this recommendation. *Élan*

About Our Commenter

Élan is a pseudonym representing two of the original members of COMER, one of whom is now deceased. The surviving member could never do the work she is now engaged in were it not for their work together over many years. This signature is a way of acknowledging that indebtedness.

Backbench Business: Money Creation and Society

Source: <http://bit.ly/1rquLxQ>

Steve Baker (Wycombe) (Con):

I beg to move,

That this House has considered money creation and society.

The methods of money production in society today are profoundly corrupting in ways that would matter to everyone if they were clearly understood. The essence of this debate is: who should be allowed to create money, how and at whose risk? It is no wonder that it has attracted support from across the political spectrum, although, looking around the Chamber, I think that the Rochester and Strood by-election has perhaps taken its toll. None the less, I am grateful to right hon. and hon. Friends from all political parties, including the hon. Members for Clacton (Douglas Carswell) and for Brighton, Pavilion (Caroline Lucas) and the right hon. Member for Oldham West and Royton (Mr Meacher), for their support in securing this debate.

One of the most memorable quotes about money and banking is usually attributed to Henry Ford:

“It is well enough that people of the nation do not understand our banking and monetary system, for if they did I believe there would be a revolution before tomorrow morning.”

Let us hope we do not have a revolution, as I feel sure we are all conservatives on that issue.

How is it done? The process is so simple that the mind is repelled. It is this:

“Whenever a bank makes a loan, it simultaneously creates a matching deposit in the borrower’s bank account, thereby creating new money.”

I have been told many times that this is ridiculous, even by one employee who had previously worked for the Federal Deposit Insurance Corporation of the United States. The explanation is taken from the Bank of England article, “Money creation in the modern economy,” and it seems to me it is rather hard to dismiss.

Today, while the state maintains a monopoly on the creation of notes and coins in central bank reserves, that monopoly has been diluted to give us a hybrid system because private banks can create claims on money, and those claims are precisely equivalent to notes and coins in their economic

function. It is a criminal offence to counterfeit bank notes or coins, but a banking licence is formal permission from the Government to create equivalent money at interest.

There is a wide range of perspectives on whether that is legitimate. The Spanish economist, Jesús Huerta de Soto explains in his book “Money, Bank Credit and Economic Cycles” that it is positively a fraud – a fraud that causes the business cycle. Positive Money, a British campaign group, is campaigning for the complete nationalisation of money production. On the other hand, free banking scholars, George Selgin, Kevin Dowd and others would argue that although the state might define money in terms of a commodity such as gold, banking should be conducted under the ordinary commercial law without legal privileges of any kind. They would allow the issue of claims on money proper, backed by other assets – provided that the issuer bore all of the risk. Some want the complete denationalisation of money. Cryptocurrencies are now performing the task of showing us that that is possible.

The argument that banks should not be allowed to create money has an honourable history. The *Bank Charter Act 1844* was enacted because banks’ issue of notes in excess of gold was causing economic chaos, particularly through reckless lending and imprudent speculation. I am once again reminded that the only thing we learn from history is that we learn nothing from history.

Thomas Docherty (Dunfermline and West Fife) (Lab):

I welcome today’s debate. The hon. Gentleman makes a valid point about learning from history. Does he agree with me that we should look seriously at putting this subject on the curriculum so that young people gain a better understanding of the history of this issue?

Steve Baker:

That is absolutely right. It would be wonderful if the history curriculum covered the *Bank Charter Act 1844*. I would be full of joy about that, but we would of course need to cover economics, too, in order for people to really understand the issue. Since the hon. Gentleman raises the subject, there were ideas at the time of that Act that would be considered idiocy today, while some ideas rejected then are now part of the economic

mainstream. Sir Robert Peel spent some considerable time emphasising that the definition of a pound was a specific quantity and quality of gold. The notion that anyone could reject that was considered ridiculous. How times change.

One problem with the *Bank Charter Act 1844* was that it failed to recognise that bank deposits were functioning as equivalent to notes, so it did not succeed in its aim. There was a massive controversy at the time between the so-called currency school and the banking school. It appeared that the currency school had won; in fact, in practice, the banks went on to create deposits drawn by cheque and the ideas of the banking school went forward. The idea that one school or the other won should be rejected; the truth is that we have ended up with something of a mess.

We are in a debt crisis of historic proportions because for far too long profit-maximising banks have been lending money into existence as debt with too few effective restraints on their conduct and all the risks of doing so forced on the taxpayer by the power of the state. A blend of legal privilege, private interest and political necessity has created, over the centuries, a system that today lawfully promotes the excesses for which capitalism is so frequently condemned. It is undermining faith in the market economy on which we rely not merely for our prosperity, but for our lives.

Thankfully, the institution of money is a human, social institution and it can be changed. It has been changed and I believe it should be changed further. The timing of today’s debate is serendipitous, with the Prime Minister explaining that the warning lights are flashing on the dashboard of the world economy, and it looks like quantitative easing is going to be stepped up in Europe and Japan, just as it is being ramped out in America – and, of course, it has stopped in the UK. If anything, we are not at the end of a great experiment in monetary policy; we are at some mid point of it. The experiment will not be over until all the quantitative easing has been unwound, if it ever is.

We cannot really understand the effect of money production on society without remembering that our society is founded on the division of labour. We have to share the

burden of providing for one another, and we must therefore have money as a means of exchange and final payment of debts, and also as a store of value and unit of account. It is through the price system that money allows us to reckon profit and loss, guiding entrepreneurs and investors to allocate resources in the way that best meets the needs of society. That is why every party in the House now accepts the market economy. The question is whether our society is vulnerable to false signals through that price system, and I believe that it is. That is why any flaws in our monetary arrangements feed into the price system and permeate the whole of society. In their own ways, Keynes and Mises – two economists who never particularly agreed with one another – were both able to say that currency debasement was the best way in which to overturn the existing basis of society.

Even before quantitative easing began, we lived in an era of chronic monetary inflation, unprecedented in the industrial age. Between 1991 and 2009, the money supply increased fourfold. It tripled between 1997 and 2010, from £700 billion to £2.2 trillion, and that accelerated into the crisis. It is simply not possible to increase the money supply at such a rate without profound consequences, and they are the consequences that are with us today, but it goes back further. The House of Commons Library and the Office for National Statistics produced a paper tracing consumer price inflation back to 1750. It shows that there was a flat line until about the 20th century, when there was some inflation over the wars, but from 1971 onwards, the value of money collapsed. What had happened? The Bretton Woods agreement had come to an end. The last link to gold had been severed, and that removed one of the most effective restraints on credit expansion. Perhaps in another debate we might consider why.

Mr Angus Brendan MacNeil (Na h-Eileanan an Iar) (SNP):

Does the hon. Gentleman agree that the end of the gold standard and the increased supply of money enabled business, enterprise and the economy to grow? Once we were no longer tied to the supply of gold, other avenues could be used for the growth of the economy.

Steve Baker:

The hon. Gentleman has made an important point, which has pre-empted some of the questions that I intended to raise later in my speech. There is no doubt that the period of our lives has been a time of

On Monday, **January 26, 2015**, an appeal will be heard in the **Federal Court of Canada** with respect to the suit brought by two individuals and COMER against Her Majesty The Queen, the Minister of Finance, the Minister of National Revenue, the Bank of Canada and the Attorney General of Canada.
Find out more at comer.org.

enormous economic, social and political transformation, but so was the 19th century, and during that century there was a secular decline in prices overall.

The truth is that any reasonable amount of money is adequate if prices are allowed to adjust. We are all aware of the phenomenon whereby the prices of computers, cars, and more or less anything else whose production is not determined by the state become gently lower as productivity increases. That is a rise in real living standards. We want prices to become lower in real terms compared to wages, which is why we argue about living standards.

Sir William Cash (Stone) (Con):

My hon. Friend is making an incredibly important speech. I only wish that more people were here to listen to it. I wonder whether he has read Nicholas Wapshott's book about Hayek and Keynes, which deals very carefully with the question that he has raised. Does he agree that the unpleasantness of the Weimar republic and the inflationary increase at that time led to the troubles with Germany later on, but that we are now in a new cycle which also needs to be addressed along the lines that he has just been describing?

Steve Baker:

I am grateful to my hon. Friend. What he has said emphasises that the subject that is at issue today goes to the heart of the survival of a free civilisation. That is something that Hayek wrote about, and I think it is absolutely true.

If I were allowed props in the Chamber, Mr Speaker, I might wave this 100 trillion Zimbabwe dollar note. You can hold bad politics in your hand: that is the truth of the matter. People try to explain that hyperinflation has never happened just through technocratic error, and that it happens in the context of, for example, extremely high debt levels and the inability of politicians to constrain them. In what circumstances do we find ourselves today, when we are still borrowing broadly triple what Labour was borrowing?

Ann McKeichin (Glasgow North) (Lab):

I am interested to hear what the hon. Gentleman is saying. He will be aware that the balance between wages and capital has shifted significantly in favour of capital over the past 30 years. Does he agree that the way in which we tax and provide reliefs to capital is key to controlling that balance? Does he also agree that we need to do more to increase wage levels, which have historically been going down in relation to capital over a long period of time?

Steve Baker:

I think I hear the echoes of a particularly fashionable economist there. If the hon. Lady is saying that she would like rising real wage levels, of course I agree with her. Who wouldn't? I want rising real wage levels, but something about which I get incredibly frustrated is the use of that word "capital." I have heard economists talk about capital when what they really mean is money, and typically what they mean by money is new bank credit, because 97% of the money supply is bank credit. That is not capital; capital is the means of production. There is a lengthy conversation to be had on this subject, but if the hon. Lady will forgive me, I do not want to go into that today. I fear that we have started to label as capital money that has been loaned into existence without any real backing. That might explain why our capital stock has been undermined as we have de-industrialised, and why real wages have dropped. In the end, real wages can rise only if productivity increases, and that means an increase in the real stock of capital.

To return to where I wanted to go: where did all the money that was created as debt go? The sectoral lending figures show that while some of it went into commercial property, and some into personal loans, credit cards and so on, the rise of lending into real productive businesses excluding the financial sector was relatively moderate. Overwhelmingly, the new debt went into mortgages and the financial sector. Exchange and the distribution of wealth are part of the same social process. If I buy an apple, the distribution of apples and money will change. Money is used to buy houses, and we should not be at all surprised that an increased supply of money into house-buying will boost the price of those homes.

Mr Ronnie Campbell (Blyth Valley) (Lab):

This is a great debate, but let us talk about ordinary people and their labour, because that involves money as well. To those

people, talking about how capitalism works is like talking about something at the end of the universe. They simply need money to survive, and anything else might as well be at the end of the universe.

Steve Baker:

The hon. Gentleman is quite right, and I welcome the spirit in which he asks that question. The vast majority of us, on both sides of the House, live on our labour. We work in order to obtain money so that we can obtain the things we need to survive.

The hon. Gentleman pre-empts another remark that I was going to make, which is that there is a categorical difference between earning money through the sweat of one's brow and making money by lending it to someone in exchange for a claim on the deeds to their house. Those two concepts are fundamentally, categorically different, and this goes to the heart of how capitalism works. I appreciate that very little of this would find its way on to an election leaflet, but it matters a great deal nevertheless. Perhaps I shall need to ask my opponent if he has followed this debate.

My point is that if a great fountain of new money gushes up into the financial sector, we should not be surprised to find that the banking system is far wealthier than anyone else. We should not be surprised if financing and housing in London and the south-east are far wealthier than anywhere else. Indeed, I remember that when quantitative easing began, house prices started rising in Chiswick and Islington. Money is not neutral. It redistributes real income from later to earlier owners – that is, from the poor to the rich, on the whole. That distribution effect is key to understanding the effect of new money on society. It is the primary cause of almost all conflicts revolving around the production of money and around the relations between creditors and debtors.

Sir William Cash:

My hon. Friend might be aware that, before the last general election, my right hon. Friend the Member for Wokingham (Mr Redwood) and I and one or two others attacked the Labour party for the lack of growth and expressed our concern about the level of debt. If we add in all the debts from Network Rail, nuclear decommissioning, unfunded pension liabilities and so on, the actual debt is reaching extremely high levels. According to the Government's own statements, it could now be between £3.5 trillion and £4 trillion. Does my hon. Friend agree that that is extremely dangerous?

Steve Baker:

It is extremely dangerous and it has been repeated around the world. An extremely good book by economist and writer Philip Coggan, of *The Economist*, sets out just how dangerous it is. In "Paper Promises: Money, Debt and the New World Order"; a journalist from *The Economist* seriously suggests that this huge pile of debt created as money will lead to a wholly new monetary system.

I have not yet touched on quantitative easing, and I will try to shorten my remarks, Mr Speaker, but the point is this: having lived through this era where the money supply tripled through new lending, the whole system, of course, blew up – the real world caught up with this fiction of a monetary policy – and so QE was engaged in. A paper from the Bank of England on the distributional effects of monetary policy explains that people would have been worse off if the Bank had not engaged in QE – it was, of course, an emergency measure. But one thing the paper says is that asset purchases by the Bank "have pushed up the price of equities by at least as much as they have pushed up the price of gilts."

The Bank's Andy Haldane said, "We have deliberately inflated the biggest bond market bubble in history."

Mr Jim Cunningham (Coventry South) (Lab):

What is the hon. Gentleman's view of QE? How does he see it fitting into the great scheme of things?

Steve Baker:

As I am explaining, QE is a great evil; it is a substitute for proper reform of the banking system. But this is the point: if the greatest bubble has been blown in the bond markets and equities have been pushed up by broadly the same amount, that is a terrible risk to the financial system.

Mr MacNeil:

Surely there is a difference depending on where the QE goes. In an economy that has a demand deficit and needs demand to be stimulated, if QE goes into the pockets of those who are going to spend the money, surely QE can create some more motion in the economy, but if QE goes into already deep pockets and makes them larger and deeper, that is a very different thing.

Steve Baker:

Again, the hon. Gentleman touches on an interesting issue. Once the Bank legitimises the idea of money creation and giving it to people in order to get the economy going, the question then arises: if you are going

to create it and give it away, why not give it to other people? That then goes to the question: what is money? I think it is the basis of a moral existence, because in our lives we should be exchanging value for value. One problem with the current system is that we are not doing that; something is being created in vast quantities out of nothing and given away. The Bank explains that 40% of the assets that have been inflated are held by 5% of households, with 80% held by people over 45. It seems clear that QE – a policy of the state to intervene deeply in money – is a deliberate policy of increasing the wealth of people who are older and wealthier.

Mr MacNeil:

One word the hon. Gentleman used was "moral," and he touches on what the economist Paul Krugman will say: some on the right see the recession and so on as a morality play, and confuse economics and morals. Sometimes getting things going economically is not about the straightforward "morality" money the hon. Gentleman has touched on. That could be one reason why the recovery is taking so long.

Steve Baker:

I am conscious that I have already used slightly more time than I intended, Mr Speaker, and I have a little more to say because of these interventions. All these subjects, as my bookshelves attest, are easily capable of being explained over hundreds of pages. My bottom line on this is: I want to live in a society where even the most selfish person is compelled by our institutions to serve the needs of other people. The institution in question is called a free market economy, because in a free market economy people do not get any bail-outs and do not get to live at somebody else's expense; they have to produce what other people want. One thing that has gone wrong is that those on the right have ended up defending institutions that are fundamentally statist.

Douglas Carswell (Clacton) (UKIP):

I congratulate the hon. Gentleman on bringing this important subject to the attention of the House. Does he agree that, far from shoring up free market capitalism, the candy floss credit system the state is presiding over replaces it with a system of crony corporatism that gives capitalism a bad name and undermines its very foundations?

Steve Baker:

I am delighted to agree with my hon....

To be continued. The debate can be viewed online at www.youtube.com/watch?v=EBSISUIT-KM and read at <http://bit.ly/1rqvLxQ>.

Warning — Bank Deposits Will Soon No Longer Be Considered Money But Paper Investments

EconomicPolicyJournal.com, <http://bit.ly/14xwZT0>, November 13, 2014

What does this mean? Kenneth Schortgen, Jr., explains:

This weekend the G20 nations will convene in Brisbane, Australia to conclude a week of Asian festivities that began in Beijing for the developed countries and major economies. And on Sunday, the biggest deal of the week will be made as the G20 will formally announce new banking rules that are expected to send shock waves to anyone holding a checking, savings, or money market account in a financial institution.

On November 16, the G20 will implement a new policy that makes bank deposits on par with paper investments, subjecting account holders to declines that one might experience from holding a stock or other security when the next financial banking crisis occurs. Additionally, all member nations of the G20 will immediately submit and pass legislation that will fulfill this program, creating a new paradigm where banks no longer recognize your deposits as money, but as liabilities and securitized capital owned and controlled by the bank or institution.

In essence, the Cyprus template of 2011 will be fully implemented in every major economy, and place bank depositors as the primary instrument of the next bailouts when the next crisis occurs....

For most Americans with savings or checking accounts in federally insured banks, normal FDIC rules on deposit insurance are still in play, but anyone with over \$250,000 in any one account, or held offshore, will have their money automatically subject to bankruptcy disbursements from the courts based on a much lower rank of priority, and a much lower percentage of return.

This also includes business accounts, money market accounts, and any depository investments such as a certificate of deposit (CD)....

After Sunday at the G20 meeting, the risks of holding any cash in a bank or financial institution will have to be weighed as heavily and with as much determination of risk as if you were holding a stock or municipal bond, which could decline in an instant should the financial environment bring a

crisis even remotely similar to that of 2008.

From a technical perspective, this is moving in line with Murray Rothbard's perspective on "bank deposit insurance," which he saw as a scam:

[F]ractional reserve banking proved shaky, and so the New Deal, in 1933, added the lie of "bank deposit insurance," using the benign word "insurance" to mask an arrant hoax. When the savings and loan system went down the tubes in the late 1980s, the "deposit insurance" of the federal FSLIC [Federal Savings and Loan Insurance Corporation] was unmasked as sheer fraud. The "insurance" was simply the smoke-and-mirrors term for the unbacked name of the federal government. The poor taxpayers finally bailed out the S&Ls, but now we are left with the formerly sainted FDIC [Federal Deposit Insurance Corporation], for commercial banks, which is now increasingly seen to be shaky, since the FDIC itself has less than one percent of the huge number of deposits it "insures."

The very idea of "deposit insurance" is a swindle; how does one insure an institution (fractional reserve banking) that is inherently insolvent, and which will fall apart whenever the public finally understands the swindle?

Suppose that, tomorrow, the American public suddenly became aware of the banking swindle, and went to the banks tomorrow morning, and, in unison, demanded cash. What would happen? The banks would be instantly insolvent, since they could only muster 10 percent of the cash they owe their befuddled customers. Neither would the enormous tax increase needed to bail everyone out be at all palatable. No: the only thing the Fed could do, and this would be in their power, would be to print enough money to pay off all the bank depositors. Unfortunately, in the present state of the banking system, the result would be an immediate plunge into the horrors of hyperinflation.

Thus, the removal of protection for large depositors is eliminating the scam at this tier. It is, in other words, cutting down on moral hazard.

However, I do not suspect that the world's governments have suddenly found

Jesus/Rothbard. I suspect what is going on here is that the government is fully aware that this change will create a separation between bank deposits and government securities. Government securities, especially short-term paper, will become a safer investment than large banks deposits.

This will drive funds away from banks and private sector lending and push funds into the direction of government sponsored debt (where there will be continued back up for such debt of the money printing presses).

HT to William Bergman who emails:

About 15 years ago I got the "Best Manuscript" award at an academic accounting conference for a paper titled "Accounting for Money." I made the argument that fair value accounting principles were being introduced inconsistently, in that cash and cash equivalents were escaping unscathed.

Comments

Tom, November 13, 2014. A ray of sunlight on secretive corporate welfare. Tell the Government Accounting Standards Board you want full disclosure on tax subsidies for corporations

Each year billions of your state and local tax dollars get diverted from public coffers for corporate subsidies. Just how much you are forced to pay for corporate welfare could soon move from the darkness of official secrecy into the light – but only if you act now.

A proposed rule requiring state and local governments to disclose the total amount of property tax and some other abatements in any year is being considered by the little-known private rule-making body known as the Government Accounting Standards Board (GASB).

In 44 states, laws let county, city and other local officials grant tax reductions or exemptions to companies, often with little disclosure and no accountability. Exemptions from taxes benefit thousands of companies, from online retailer Amazon to shampoo maker Zotos International.

The proposal is tepid and narrow, but far better to let in a ray of light than to allow these deals the cover of total darkness in which they are typically carried out.

Picking your pocket. Just how many billions of tax dollars corporations escape paying is a mystery. The reason: Everyone responsible for picking your pocket – the politicians who grant the subsidies, the companies that get them and the brokers who charge fees to arrange them – prefer to hide in the dark.

People know little about the myriad local and state subsidies to corporations because governments report welfare costs using two systems, separate and unequal: a fully transparent one for individuals and an opaque one for companies.

Governments at every level publish finely detailed reports on how much taxpayer money is spent to help children, the chronically sick, the disabled, the elderly and the poor. But virtually no statistics exist on welfare for the rich and the corporations they own, as those of us whose who report on these matters know from years of painstaking work to extract limited facts from the public record.

The board's use of the opaque term "abatment" in reference to companies' being excused from some taxes indicates how gingerly it is dealing with the politicians, corporations and subsidy brokers that want to obfuscate these deals so they can continue to enjoy the benefits of picking your pocket.

Simply put, this proposed rule is about disclosure regarding rules under which you are forced to pay your taxes in full while others get a free ride. It is about corruption, which in our time has become sophisticated and institutional. Instead of cash bribes, which come with a risk of prison, today money flows as campaign contributions, cushy jobs for friends and family of the politicians who approve these deals and other harder-to-track payoffs.

Their gain is your loss...and it shows in their account balances.

Norman LeDonne, Jr., November 13, 2014. Whenever I read something like this, or read what our illustrious Congress and/or president say, I think of the replicants in Blade Runner. When Harrison Ford kills them, they thrash around on the ground, with arms and legs flailing in different directions. That's what I see happening to the state.

M. Schaut, November 14, 2014. It appears the klepto-crats have instituted another "scheme undreamed of" that permits them to steal from the citizens, among other new opportunities they can worm their way into based on this.

Jack Fowler, November 15, 2014. Oh, ok,

so this could get around legislation which secures deposits through central government; i.e., UK government has back stopped public deposits with taxpayers money *but* does that include *stock*!?

Corky Boyd, November 16, 2014. Wow! The G20 has found a sure fired way to bring back good old runs on the banks. Thought we had learned our lessons from the 1930s. Life gets more exciting every day.



Our Comment. How fitting that this development should cap a week of festivities. The "banksters" (FDR's term for them) have such a lot to celebrate! Unless, that is, people flock to a system of public banks, where they will be respected as citizens, with rights to their own money, and where their money will be safeguarded, or invested according to their wishes and in *their* best interest rather than that of the *banksters*!

Élan

This Publicly-Owned Bank Is Outperforming Wall Street

By Ellen Brown, Common Dreams, <http://bit.ly/1sj8vSS>, November 19, 2014

The Wall Street Journal reports on the impressive record of the Bank of North Dakota

While 49 state treasuries were submerged in red ink after the 2008 financial crash, one state's bank outperformed all others and actually launched an economy-shifting new industry. So reports the *Wall Street Journal* this week, discussing the *Bank of North Dakota (BND)* and its striking success in the midst of a national financial collapse led by the major banks. Chester Dawson begins his November 16th article:

It is more profitable than *Goldman Sachs Group Inc.*, has a better credit rating than *J.P. Morgan Chase & Co.* and hasn't seen profit growth drop since 2003. Meet Bank of North Dakota, the US's lone state-owned bank, which has one branch, no automated teller machines and not a single investment banker.

He backs this up with comparative data on the BND's performance:

[I]ts total assets have more than doubled, to \$6.9 billion last year from \$2.8 billion in 2007. By contrast, assets of the much bigger *Bank of America Corp.* have grown much more slowly, to \$2.1 trillion from \$1.7 trillion in that period.

...Return on equity, a measure of profitability, is 18.56%, about 70% higher than those at Goldman Sachs and J.P. Morgan....

Standard & Poor's Ratings Services last month reaffirmed its double-A-minus rating of the bank, whose deposits are guaranteed by the state of North Dakota. That is above the rating for both Goldman Sachs and J.P. Morgan and among US financial institutions, second only to the *Federal Home Loan Banks*, rated double-A-plus.

Dawson goes on, however, to credit the BND's remarkable performance to the Bak-

ken oil boom. Giving his article the controversial title, "Shale Boom Helps North Dakota Bank Earn Returns Goldman Would Envy: US's Lone State-Owned Bank Is Beneficiary of Fracking," he contends:

The reason for its success? As the sole repository of the state of North Dakota's revenue, the bank has been one of the biggest beneficiaries of the boom in Bakken shale-oil production from hydraulic fracturing, or fracking. In fact, the bank played a crucial part in kick-starting the oil frenzy in the state in 2008 amid the financial crisis.

That is how the Wall Street-owned media routinely write off the exceptional record of this lone publicly-owned bank, crediting it to the success of the private oil industry. But the boom did not make the fortunes of the bank. It would be more accurate to say that the bank made the boom.

Excess Deposits Do Not Explain the BND's Record Profits

Dawson confirms that the BND played a crucial role in kick-starting the boom and the economy, at a time when other states were languishing in recession. It did this by lending for critical infrastructure (roads, housing, hospitals, hotels) when other states' banks were curtailing local lending.

But while the state itself may have reaped increased taxes and fees from the oil boom, the BND got no more out of the deal than an increase in deposits, as Dawson also confirms. The BND is the sole repository of state revenues by law.

Having excess deposits can hardly be the reason the BND has outdistanced even JPMorganChase and Bank of America, which also have massive excess deposits and have not turned them into loans. Instead, they have invested their excess reserves in securities.

Interestingly, the BND has also followed this practice. According to Standard & Poor's October 2014 credit report, it had a loan to deposit ratio in 2009 of 91%. This ratio dropped to 57.5% in 2014. The excess deposits have gone primarily into Treasuries, US government agency debt, and mortgage-backed securities. Thus the bank's extraordinary profitability cannot be explained by an excess of deposits or an expanded loan portfolio.

Further eroding the official explanation is that the oil boom did not actually hit North Dakota until 2010. Yet it was the sole state to have escaped the credit crisis by the spring of 2009, when every other state's budget had already dipped into negative territory. Montana, the runner-up, was in the black by the end of 2009; but it dropped into the red in March of that year and had to implement a pay freeze on state employees.

According to Standard & Poor's, the BND's return on equity was up to 23.4% in 2009 – substantially *higher* than in any of the years of the oil boom that began in 2010.

The Real Reasons for Its Stellar Success

To what, then, are the remarkable achievements of this lone public bank attributable?

The answer is something the privately-owned major media have tried to sweep under the rug: the public banking model is simply more profitable and efficient than the private model. Profits, rather than being siphoned into offshore tax havens, are recycled back into the bank, the state and the community.

The BND's costs are extremely low: no exorbitantly-paid executives; no bonuses, fees, or commissions; only...one branch office; very low borrowing costs; and no FDIC premiums (the state rather than the FDIC guarantees its deposits).

These are all features that set publicly-owned banks apart from privately-owned banks. Beyond that, they are safer for depositors, allow public infrastructure costs to be cut in half, and provide a non-criminal alternative to a Wall Street cartel caught in a laundry list of frauds.

Dawson describes some other unique aspects of the BND's public banking model:

It traditionally extends credit, or invests directly, in areas other lenders shun, such as rural housing loans.

...[R]etail banking accounts for just 2-3% of its business. The bank's focus is

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providing loans to students and extending credit to companies in North Dakota, often in partnership with smaller community banks.

Bank of North Dakota also acts as a clearinghouse for interbank transactions in the state by settling cheques and distributing coins and currency....

The bank's mission is promoting economic development, not competing with private banks. "We're a state agency and profit maximization isn't what drives us," President Eric Hardmeyer said.

...It recently started offering mortgages to individuals in the most underserved corners of the state. But Mr. Hardmeyer dismisses any notion the bank could run into trouble with deadbeat borrowers. "We know our customers," he said. "You've got to understand the conservative nature of this state. Nobody here is really interested in making subprime loans."

The Downsides of a Boom

The bank's mission to promote economic development could help explain why its return on equity has actually fallen since the oil boom hit in 2010. The mass invasion by private oil interests has put a severe strain on the state's infrastructure, forcing it to muster its resources defensively to keep up; and the BND is in the thick of that battle.

In an August 2011 article titled "North Dakota's Oil Boom is a Blessing and a Curse," Ryan Holeywell writes that virtually all major infrastructure in the boom cities and counties is strained or exhausted. To shore up its infrastructure needs, the state has committed hundreds of millions of dollars in revenue. Meanwhile, it is trying to promote industries other than oil and gas, such as companies involved with unmanned aircraft, manufacturing associated with wind energy equipment, and data

centres; but the remoteness of the western part of the state, along with the high cost of labour, makes doing business there complicated and expensive.

Hydrofracking, which has been widely attacked as an environmental hazard, is not as bad in North Dakota as in other states, since the process takes place nearly two miles underground; but it still raises significant environmental concerns. In 2011, the state levied \$3 million in fines against 20 oil companies for environmental violations. It also undertook a review of industry regulations and was in the process of doubling its oil field inspectors.

The greatest stresses from the oil industry, however, involve the shortage of housing and the damage to the county road system, which in many places consists of two-lane gravel and dirt roads. Drilling a new well requires more than 2,000 truck trips, and the heavy rigs are destroying the roads. Fixing them has been estimated to require an investment of more than \$900 million over the next 20 years.

These are external costs imposed by the oil industry that the government has to pick up. All of it requires financing, and the BND is there to provide the credit lines.

Lighting a Fire under Legislators

What the Bank of North Dakota has done to sustain its state's oil boom, a publicly-owned bank could do for other promising industries in other states. But Dawson observes that no other state has yet voted to take up the challenge, despite a plethora of bills introduced for the purpose. Legislators are slow to move on innovations, unless a fire is lit under them by a crisis or a mass popular movement.

We would be better off sparking a movement than waiting for a crisis. The compelling data in Dawson's *Wall Street Journal* article, properly construed, could add fuel to the flames.

Ellen Brown is an attorney and founder of the Public Banking Institute. She is the author of twelve books, including the best-selling Web of Debt, and her latest book, The Public Bank Solution, which explores successful public banking models historically and globally.



Our Comment. The movement is afoot! All around the world, people are "spark-ing" what needs to be a *massive* cooperative movement for fundamental change! Ellen Brown has surely ignited many a fire! *Élan*

Money and the Game of Small Ball

By Andrew Coyne, *National Post*, November 12, 2014

Let's get a couple of things out of the way off the top. One: however familiar it may have become, it remains an outrage that a minister of finance would deliver a formal economic statement, such as Wednesday's fiscal and economic update, not in the House of Commons, where the nation's business is supposed to be conducted, but to a Bay Street lunch crowd. It is not only contemptuous of members of Parliament, but of the public that elects them.

And two: however much people may focus on it, it is absolutely unimportant whether the government is \$2 billion in surplus, as it now suggests it will be in the next fiscal year, or \$3 billion in deficit, as projected for the current fiscal year. In a \$2 trillion economy, these figures are not even large enough to count as rounding error. It suffices to say the budget is in balance.

Indeed, it doesn't much matter whether the budget is in balance in any one year: it's the trend that counts. It is certainly encouraging that the deficit has been reduced from \$56 billion in fiscal 2010 to its present state of near balance, likewise the string of small surpluses projected in the years to come. But we don't all turn into pumpkins, as I've said before, if these turn out to be small deficits: as long as the debt-to-GDP ratio keeps falling, we are in good shape.

So all this talk that the Conservatives have put the Liberals and NDP in a box, cleverly "draining the pool" of revenues, via the recent family-friendly package of benefits, rather than leave them for their opponents to spend, seems a little overdrawn. First, the federal government is not noticeably short of funds, even after the Tory tax cuts. Total revenues this year will add up to \$7,600 per capita – lower, after inflation, than in the boom years of the 2000s, but higher than at any time before or since.

Second, the Conservatives have effectively spent those revenues themselves. It may suit the party to call them tax cuts, but as in fact they are mostly delivered in the form of tax credits they amount to spending programs by another name. (That's not just my opinion. Look at the line for program expenses in the update's "Summary Statement of Transactions": in each year it is projected to be about \$6 billion more than it was in last spring's budget.)

But yes, the Tories have opted to spend it in their own way, as money placed directly in the public's hands, rather than as the opposition might prefer, in the form of public services. Fine: it's a choice, one the voters will be called upon to make in good time – a choice made clearer because the Conservative programs will already be in place by then, meaning the opposition parties would have to cancel some or all of them to finance their own.

Or would they? If the opposition is in a box, it is one of its own making, or at least acquiescence. That is, it assumes they are under a number of constraints that do not necessarily apply: that the revenues available to them are the same as under the Tory plan, that the budget must remain in surplus, and so on. In fact they are entirely free to choose whether or not they wish to be so constrained.

If the opposition parties want to spend more than the measly \$31.2 billion in surpluses the Tories have left them over the next five years (plus \$15 billion in contingency allowances), they can. They can raise taxes, or they can run deficits (or they could cut spending in other areas, but let's be realistic). It wouldn't be the end of the world.

That both have said, by and large, they will not (the NDP has ruled out all but corporate tax increases, while the Liberals would not raise taxes at all) is simply a political choice on their part. Still, it shows the degree to which conservative economic orthodoxy – anti-tax, anti-deficits – still dominates the debate, even if the Conservatives themselves have only fitfully abided by it.

And while the opposition parties are not quite so constrained as some have suggested, they are nevertheless obliged to respect the laws of arithmetic. For example: the NDP leader, Tom Mulcair, dismisses the pending return to surplus as a "mirage," in so far as it was achieved by what he regards as ill-advised cuts in spending on essential programs. (Again, this is overstated: spending has only been cut from the all-time record highs to which the Tories pushed it in 2010. But never mind.)

Very well: would he reverse them? If so, say goodbye to the surplus, and with it all those other things he might like to spend more on – unless, of course, he is prepared to run deficits, or raise taxes. But here he runs into a second bit of uncomfortable

arithmetic. It's one thing to raise taxes, but if he wants to raise much *revenues*, the corporate tax won't do it.

It is an easily verified fact that, though corporate tax rates have been slashed in recent years, from 38% in the early 1980s to 15% today, corporate tax revenues have remained more or less constant, at around 2% of GDP. The reverse is also true: raise rates all you like, it won't bring in that much more money. Apart from any adverse effects on investment and output, it's just too easy for corporations to shuffle profit out of the country, among other avoidance techniques.

The simplest, least harmful way to raise revenues, particularly in the kinds of amounts needed to finance the more ambitious role for the state the opposition envisions, is to raise the GST. If they are prepared to campaign on that – or on borrowing more – they will be offering a true left-of-centre alternative to the Conservatives. Otherwise it's all pretty much small ball.

Our Comment

This is good news/bad news. It's good that Andrew Coyne brings the surplus/deficit issue into perspective. It's too bad, however, that he doesn't seem to consider relevant the policies that determine these phenomena.

The notion that if the opposition parties want to spend more than the Tories have left them, they must either raise taxes, run deficits or cut spending in other areas, ignores their most logical and socially responsible option – that of using government-created money to increase revenue.

I doubt that politicians can't add 2 + 2. Their problem is not one of mathematics – it's that "conservative economic orthodoxy." It's their unwillingness to 'rock the boat' as our ship of state ploughs through the murky waters of the "New World Order."

Speaking of mathematics, what are we to make of the statistic purported to demonstrate that corporate tax revenues have remained more or less constant (at 2% of

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GDP), though corporate tax rates have been slashed, in recent years, from 38% in the early 80s to 15% today?

Are we to understand that slashing the corporate tax rate doesn't have an appreciable impact on our national revenue? What's wrong with this picture?

The CCPA's alternative federal budget esti-

mates, very conservatively, that every percentage point increase in the general corporate tax rate would net the federal government \$1.4 Billion. (CCPA Monitor, November, 2014, p. 14)

On the other hand, are we to accept that raising corporate tax rates "won't bring in that much more money" – that we can't deal

with tax avoidance?

If the only way to offer a true left-of-centre alternative to the Conservatives is to campaign on raising the GST or borrowing more (from private banks, of course), we are surely doomed to "small ball." – *Unless we change the game!*

Élan

Stephen Lewis Roars Once More in Takedown of Stephen Harper Government

By Tim Harper, National Affairs, Toronto Star, November 23, 2014

Canada and its politics, the former Ontario NDP leader says, are in free fall.

In his Friday speech, Stephen Lewis took aim at the "pre-Paleolithic Neanderthals" in office.

At the age of 77, Stephen Lewis describes himself as being "happily in his dotage," a man free to bare his soul and dispense with diplomatic niceties.

He did just that in Charlottetown last Friday. The one-time lion of the left unleashed a withering roar over eight years of Stephen Harper government that deserves to be moved from the relatively tiny confines of the Confederation Centre of the Arts and into a larger forum.

Lewis focused on five fronts of perhaps irreversible decline in this country, five only, because time did not allow him to get into all the factors that "scar my soul."

The former Ontario NDP leader, United Nations ambassador and lifelong human rights advocate took aim at the "pre-Paleolithic Neanderthals" in office and their role in the decline of Parliament, the suppression of dissent, the plight of First Nations, their blinkered climate-change policy and our plummeting world status.

There is no secret of the left-wing perspective from which Lewis comes. He borrowed the title of his speech, *A Socialist Takes Stock*, from his father David who delivered a similar *cri de coeur* some 60 years ago.

When he surveys the political scene today, he says he runs the emotional gamut from "rage to rage."

But he is not alone. He joins a line of political elders who are taking increasingly harsh stock of this government's performance.

Former Progressive Conservative prime minister Joe Clark has spoken out about foreign policy, former Liberal prime minis-

ter Paul Martin has been an outspoken critic of aboriginal policy and former ministers in the Brian Mulroney government emerged to condemn the watering down of environmental regulations.

Lewis told the Symons Lecture on the future of confederation:

- Canada's world standing is in free fall.
- The Harper government's contempt for Parliament and its traditions has degraded political life and fostered voter cynicism.
- Its attitude to aboriginals is not paternalistic, it is racist.
- Harper's refusal to join the rest of the world and move toward renewable energy sources is endangering future generations and contributing to a looming planetary meltdown.
- Civil society and the ideas it fosters have been slapped down and censored, subverting democratic norms.

"There is a radical ideological agenda gripping this country," Lewis said, "but it's not the environmentalists or the other targeted groups committed to the quest for social justice; it's the political leadership."

We are channelling the years of Richard Nixon's enemies list, Lewis says, adding the former US president was driven by paranoia, Harper is driven by malevolence. Lewis compared the atmosphere in Ottawa to that of the Ontario legislature where he served for 15 years, the William Davis years.

There was a respect in that chamber, he said, and that was respect was fostered by the premier.

"Vitriolic nastiness in debate does not breed respect," he said, "nor does adolescent partisanship, nor do pieces of legislation of encyclopedic length that hide contentious issues, nor does the sudden emergence of frenzied TV attack ads, nor does the spectre of a Prime Minister's Office exercising authoritarian control."

The government's refusal to hold an inquiry on missing and murdered aborigi-

nal women, its refusal to compromise with aboriginal leadership on the funding gap on First Nations education and its environmental standing that has sunk so low that we are seen as an impediment to a climate change accord in Paris next year, are all being watched around the world, said Lewis.

"It is as though Canada had decided, like some mindless national curmudgeon, to be a permanent outlier on issues of minority rights and women's rights," Lewis said.

"It does us damage. It does us shame."

Of the "redundant" tar sands, Lewis says he is "hyperventilating for the day, when some Canadian politician has the courage to say: Leave it in the ground."

Is this merely an overheated attack on a government that shares none of Lewis's principles? An angry journey into nostalgia?

"Somewhere in my soul," Lewis says, "I cherish the possibility of a return to a vibrant democracy, where *equality is the watchword*, where people of different ideological conviction have respect for each other, where policy is debated rather than demeaned, where the great issues of the day are given thoughtful consideration, where Canada's place on the world stage is seen as principled and laudatory, where human rights for all is the emblem of a decent civilized society."

He will be ignored by those in office. But his works should be studied by any who seek to govern going forward.

Our Comment

With his customary eloquence, Stephen Lewis has expressed the indignation of a rapidly growing number of Canadians.

Should you not yet be among them, you might want to read one or both of the following books: *The Ugly Canadian*, *Stephen Harper's Foreign Policy* by Yves Engler, and *Party of One*, *Stephen Harper and Canada's Radical Makeover* by Michael Harris.

Élan

Canadians Paying High Price for Supply Management System

By *Barrie McKenna, The Globe and Mail, December 8, 2014*

Brian Mulroney has been out of politics for more than two decades, but when he speaks, people generally take notice.

Such was the case when the former Conservative Prime Minister, pronounced that the time has come to end the protectionist regime that controls how dairy, eggs and chicken are priced and produced in Canada.

Unshackling these sectors would open up “enormous export potential,” particularly in fast-growing Asia, Mr. Mulroney pointed out in a keynote address to the GrowCanada agricultural conference in Ottawa last week.

“We should give some thought to the consideration of a careful, innovative and generous phase out of our supply managed programs for dairy and poultry,” he said in a speech that drew a standing ovation.

What’s remarkable here is that Mr. Mulroney is saying publicly what no sitting politician of significance anywhere in Canada dares – that maintaining supply management has become an economic anchor. The system costs consumers, stifles innovation and competition, and deprives the industry a share of the exploding global market for food protein.

Mr. Mulroney, still colourful and controversial at 75, is the most prominent political figure to challenge this sacred cow of Canadian public policy. Until now, that mantle was held by former MP and failed Liberal leadership candidate Martha Hall Findlay, who has written and spoken extensively about supply management since losing her seat in 2011.

Speaking out is political heresy. Many Conservative MPs grumble privately about supply management. But on the record, they and members of every other federal party stand as a monolithic block in defence of the status quo.

Last June, MPs from all parties voted unanimously to urge the government to “respect its promise” to shield the dairy industry from any fallout from the European free-trade deal. The vote had echoes of a similar 2005 motion, when 100 per cent of MPs similarly stood up in the Commons to express unwavering support for supply management in global trade talks.

In its most recent Throne speech in October, 2013, the Conservative govern-

ment vowed to continue “supporting supply management.”

As Prime Minister, Mr. Mulroney similarly defended the system he now argues should go.

His about-face hints at an eventual shift in political orthodoxy – perhaps not immediately, but after next year’s federal election.

It is no secret that the US and other partners in the Trans Pacific Partnership trade talks are pushing Canada hard to loosen its protectionist dairy and poultry policies. Doing so would bolster Canada’s case for concessions from the US on government purchasing (Buy America), non-tariff barriers (country labelling for meat) and on agricultural export subsidies.

The tariff wall that protects supply management comes at a price – a cost paid in lost exports, and higher consumer prices. Every concession in trade talks has the potential to bring vastly larger gains in other areas of the economy.

Beyond its value as a trade bargaining chip, phasing out the regime would ultimately be good for the affected farm sectors as well, according to Mr. Mulroney. He pointed to Canada’s wine industry and New Zealand’s dairy industry as classic examples of once-protected industries that are now free-trade success stories.

Phasing out supply management would be disruptive for some, and initially costly to tax payers. The Conference Board of Canada estimated earlier this year that buying back production quota from the country’s dairy farmers alone would cost \$3.6 billion to \$4.7 billion.

But the biggest risks are political, as Mr. Mulroney, a Quebecker, knows well. The province is home to roughly half of the country’s roughly 12,000 dairy farms and political support for the industry is deeply entrenched.

Politicians in Ottawa, and the two main producing provinces – Quebec and Ontario – long ago made the calculation that there was little to be gained by even musing about a post-supply management world. Former Conservative Trade Minister David Emerson did that once in 2007 and was quickly silenced.

Mr. Mulroney likened the challenge to his own fight for Canada-US free trade in

the 1980s. Reform, he said, calls for bold leaders willing to endure short-term political risk for the sake of longer-term rewards – a not-so-subtle jab at Prime Minister Stephen Harper.

The risk of inaction is that Canada is left watching a global food revolution from the sidelines.

Our Comment

Another case of swapping your birthright for a “mess of pottage”! In this case, the trade is of another vast portion of our agricultural sector and of our self-reliance, for the financial benefit of the few in whose best interest, as they see it, “free” trade operates.

It’s too bad that when first Brian Mulroney spoke of “free” trade people didn’t take more thoughtful notice. That might have saved us, and countless others, world-wide, much grief.

Words like “unshackling” and “regime,” and metaphors like the one comparing supply-managed programs to an “economic anchor,” reflect a bias that, in itself, merits notice. “[Giving] some *thought* to the *consideration* of a careful, innovative and generous phase out” is hardly a satisfactory promise of a *fair* trade.

The goal of growth and profit and the reverence for competition are the hallmarks of a system already heavy with promise of collapse.

As so often happens with neoliberal economics, those “externalities” – those variables that just don’t count – should. Our agricultural sector is not just a business; it is a means of self-sufficiency, and a way of life – one worthy of preserving.

One might take a different view of Brian Mulroney’s “about face,” and shudder at the suggestion that the next federal election could facilitate a further shift in “political orthodoxy.” The notion that delivering our dairy and poultry policies into the tender care of another “free” trade deal, would gain us “concessions from the US on government purchasing, is laughable.

“Free” trade has always been less than free and more than trade. Surely it’s time to re-examine that whole strategy in an honest, cost/benefit appraisal that identifies who has lost what and who has profited.

Élan

Blue Dot Tour Is Over. Now the Movement Begins!

Finding Solutions, David Suzuki Foundation, Winter 2014

By the time you read this, the Blue Dot Tour will have wrapped up. And what a tour it was. Capacity crowds filled venues from St. John's to Victoria and many stops in between. Musicians, thinkers and local leaders joined us along the way, including Neil Young, Kinnie Starr, Margaret Atwood, Tanya Tagaq, Metric and too many more to mention. Spoken word genius Shane Koyczan wowed everyone with his powerful new piece, "Shoulders."

The tour may be over, but the movement is just beginning. Thanks to your donations, we are doing as much as we can to protect the air we breathe, water we drink, soil that gives us nourishing foods and diverse natural systems that keep us alive and healthy, but we can't do it alone.

The David Suzuki Foundation is a relatively small organization with limited funds. That's why we're working with passionate people in communities across Canada to spread the word.

As people begin to stand together in their own communities to call for environmental rights, municipal leaders will adopt declarations that give citizens the right to live in a healthy environment. Already a number of municipal councils have adopted the declaration, including Richmond in BC, Rosemont-La Petite-Patrie in Quebec and The Pas in Manitoba. Discussions are ongoing with many other municipal governments and stakeholders, giving us hope that the idea will quickly spread.

As municipalities and communities increasingly recognize these rights, provinces will begin incorporating and adopting environmental bills of rights, which are more binding.

Once enough provinces are on board, federal leaders will pay attention. Our ultimate goal is to have the right to a healthy environment enshrined in the Constitution's Charter of Rights and Freedoms. It's an idea that has already been taken up by more than half the world's nations.

You can help protect the people and places you love with your donations and time. Join this movement at bluedot.ca/join-us and we'll give you the tools you need to start enacting positive change in your community.

Dr. David Suzuki

It Takes a Community to Build a Movement. It's been a phenomenal fall for me. My youngest daughter, Sarika, gave birth to a baby boy, and the foundation I co-founded with my wife, Tara, gave birth to a movement. I had nothing to do with the former – although I couldn't be happier to have another grandchild.

The Blue Dot Tour and the movement it is intended to start was exhilarating, especially as it may have been the last major cross-country tour I will take part in. I hope it will serve as a gift to my children and grandchildren.

After all, it is clear to anyone who looks closely at the world and our place in it that we need to make changes. With our exploding populations and technological might, we are altering the planet on a geological scale. We are polluting and destroying the very things we need to survive and be healthy: air, water, productive soil and diverse nature and natural services. But it doesn't have to be this way. Surely we have the intelligence, foresight, imagination and technology to live within the limits imposed by our finite planet.

The Blue Dot Tour introduced me and my colleagues to so many people across Canada who care for our country, our families and friends, our fellow Canadians and the planet we all call home. It has inspired me, and I know it has inspired many others.

For me, the tour was a significant event during the most important part of my life. At my age, I've learned a lot and believe I have a responsibility to pass on the lessons I've learned to young people. I can now give my money, time and support to causes that matter to me. I hope other elders will join me.

And I hope all of you will join us in whatever way you can – through your donations, by volunteering your time or by working with others in your community to protect the people and places you love. This may be the most important work I have ever done. I hope you agree. We only have one planet. Let's take care of it.

For information, visit bluedot.ca.

Dr. David Suzuki

Students Coast to Coast Show Hunger for Change. "Organic farming is conventional farming. What we're doing now is absolutely unconventional."

This was one of many grains of wisdom David Suzuki offered an auditorium full of rapt secondary and post-secondary students (and several thousand more via WebEx technology) on October 6 at Toronto's Humber College. The question – can organic farming practices really replace conventional practices? – had been posed to a passionate panel of food experts: Suzuki, author J.B. MacKinnon and food justice expert Utcha Sawyers.

The Hungry for Change virtual classroom visit, which the Foundation produced in partnership with the National Film Board of Canada and Humber College, brought together 500 students at the college and roughly 6,000 virtually. To prepare for the discussion, students watched the NFB film *Island Green*, which explores organic farming on Prince Edward Island, and submitted questions for the panel. Ten students across the country were chosen to ask their questions in real time.

FoodShare Toronto's food justice manager, Utcha Sawyers, brought her knowledge of community agriculture and food justice in indigenous communities to the panel. J.B. MacKinnon, co-author of *The Hundred Mile Diet*, offered wisdom from his year of eating only food produced in a 100-mile radius around Vancouver, BC.

"We think the supermarket is the place to go for variety. But eating locally is vastly more diverse," he told the audience, then went on to describe how his food repertoire had only expanded over his year of eating locally.

Other students posed questions about food security in First Nations communities, the perils of genetically modified crops and how students with limited funds can afford to buy organic food. The panel delved into each one with thought and energy.

Spoken word artist Tanya Davis began and concluded the panel with original pieces composed especially for the event.

Dr. David Suzuki



Our Comment. These articles reflect a growing recognition that our issues are all connected, and that it will take a widespread coalition to bring about meaningful change. *And it is going on!*

Élan

Booklist and Gift Ideas

This Changes Everything

Naomi Klein/Knopf Canada

Naomi Klein's timely and accessible new book, *This Changes Everything: Capitalism vs. the Climate*, takes on unregulated capitalism as the major barrier to climate progress. After ignoring climate scientists' warnings for more than 20 years, Klein argues, we've shut down options for incremental changes to avert catastrophic global warning. While Klein doesn't delve into climate science itself, she paints a convincing picture of the immorality of inaction. The solution? Reign in corporate power and rebuild local economies.

Don't Even Think About It

George Marshall/Bloomsbury

We know global warming is real and that human activity is the main contributor. So why don't we do anything? And why do so many people reject the scientific evidence? In this fascinating book, subtitled *Why Our Brains Are Wired to Ignore Climate Change*, British climate expert George Marshall explores human psychology to provide some answers and to offer ways we can come to a common understanding about this critical challenge.

Green Mama: Giving Your Child a Healthy Start and a Greener Future

Manda Aufochs Gillespie/Dundurn

Growing and nurturing a mind, body and soul sends many new parents on a quest for the "greenest" and healthiest choices for their family – as it should. Thank goodness for this book! Manda Aufochs Gillespie takes you beyond child-proofing and demystifies cloth diapering, lists non-toxic nursery must-haves and shares tips to encourage free play. A greener future for your little one is inevitable.

Who We Are

Elizabeth May/Greystone Books

No matter where you place yourself on the political spectrum, you have to admit federal Green Party leader Elizabeth May is a fascinating person. The savvy lawyer and environmentalist became Canada's first elected Green Member of Parliament in 2011, where she has continued to be a powerful advocate for democratic traditions and the environment.

This mix of memoir and manifesto offers insight into her life and her passionate beliefs about the future of Canada.

Party of One: Stephen Harper and Canada's Radical Makeover

Michael Harris/Viking (2014)

By Crawford Kilian, *The Tyee.ca*, October 30, 2014

Seeking a documented record of eight years of deliberate misrule? This is your book.

If the news cycle is 24 hours, the public's attention span is that of a gerbil on crystal meth. Today's outrage is next week's shrug and next month's blank stare.

Conservative politicians not only understand this phenomenon, they revel in it. They've even turned it into a talking point. Asked by reporters about the current scandal, they don't even bother to defend themselves. They just smirk and say, "Most Canadians don't care."

Public apathy only deepens as the scandals increase, creating a kind of learned helplessness. The citizens who should be the

Debate from page 3

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Our Comment

What a stunning development! After 170 years spent paying for King Bill's error in borrowing from wealthy citizens instead of exercising his seigniorage, thoughtful members of Parliament are questioning the "financial alchemy" permitted private banks.

No less remarkable is the fact that this initiative has cross-party support! Their

eagle-eyed guardians of their own interests become mere bystanders, unwilling or unable to use their own power. And the next outrage – better yet, the next foreign threat or celebrity scandal or royal pregnancy – will distract them from their basic democratic job of minding the store and looking out for shoplifters.

Having been in power since 2006, Stephen Harper has presided over this deliberate erosion of democracy. He has also been an active and corrosive agent of that erosion. He has never come close to an outright majority, meaning that most Canadians still don't buy his social vision. But he has held on to his core while keeping his opponents either divided or apathetic.

Harper has been aided by the Canadian media itself, which he clearly despises, and perhaps with good reason. Drilled into every journo is the commandment to get the other side of the story as if both sides have equal value, and to present them that way.

pithy comments reflect sharp insights into the basic relationship between the debt-money system and the destruction of our ecosystems, the public good, and democracy.

One would want to know more about the "unconventional policy instruments" to which the review refers. Why not do what Canada did – nationalize its central bank to meet the monetary needs of government and society at little or no interest?

How encouraging it is to read that so many individuals and organizations are recognizing the need for monetary reform!

Wouldn't it be interesting to conduct a similar poll of Canadian MPs regarding who creates our money supply?

This news item highlights many questions that should be a matter of national debate in Canada too, and raises still others.

What is being done to promote financial literacy in Canada? Who is in charge of that program? What are Canadian children being taught about money?

We should take a keen interest in the 'Brits' debate! Then, we should seek out MPs able and willing to do the same for Canadians. It is especially important for us to raise this issue in our House of Commons *now* for two reasons:

- We already have the means at hand to end debt slavery in Canada;
- We stand to lose the option of democratic, government control of our money system through a trade deal made behind our backs.■

What if there is no other side? In that case you rustle up the cranks or lobbyists who will give you one, like the vast stable of corporate flunkies and think tank racketeers who are paid to chant “The science isn’t in on global warming.”

Michael Harris is an author and journalist, but his new book is not a “he-said-she-said-make-up-your-own-mind” story like so many journalists’ efforts at book-length reports. It is an indictment, a detailed case for the prosecution of Stephen Harper. If you’re looking for “fair and balanced,” look elsewhere.

But if you’re looking for a documented record of eight years of deliberate misrule, this is your book.

Portrait of an Unbeliever

Early in the book, Harris describes the 2006 election:

“The Conservative victory was in every way a remarkable turn of events, not the least of which was the NDP’s joining with Harper to bring down the Martin government on a budget with much social spending in it. Until that moment, Canada had been a secular and progressive nation that believed in transfer payments to better distribute the country’s wealth, the Westminster model of governance, a national Medicare program, a peacekeeping role for the armed forces, an arm’s-length public service, the separation of church and state, and solid support for the United Nations. Stephen Harper believed in none of those things.”

The rest of *Party of One* documents that paragraph in 500 pages of devastating detail. Conservatives won’t read it except to dismiss it as “partisan” and “biased.” Liberals and New Democrats should read it and cringe at their eight years of failure to stop an act of national sabotage.

Most Canadians, of course, won’t even hear about this book, let alone read it. But those who do will find a Canadian family photo album of a disastrous decade.

Harris wisely doesn’t organize his long book chronologically, except very loosely. Nor is he analytical; he’s not trying to find Harper’s origins in the right-wing think tanks, like Donald Gutstein’s *Harperism*, or in Harper’s personality, like Paul Wells’ *The Longer I’m Prime Minister*. He’s less interested in motives than in actions and consequences. Harris looks at the Harper record, as organized by issues and scandals.

That may be why the book is so exhaustive, and exhausting. Any one of his issues deserves a book of its own, and some – like

Continued on page 19

Europe’s Austerity Disaster

By Joseph Stiglitz, Social Europe Journal, September 29, 2014

“If the facts don’t fit the theory, change the theory,” goes the old adage. But too often it is easier to keep the theory and change the facts – or so German Chancellor Angela Merkel and other pro-austerity European leaders appear to believe. Though facts keep staring them in the face, they continue to deny reality.

Austerity has failed. But its defenders are willing to claim victory on the basis of the weakest possible evidence: the economy is no longer collapsing, so austerity must be working! But if that is the benchmark, we could say that jumping off a cliff is the best way to get down from a mountain; after all, the descent has been stopped.

But every downturn comes to an end. Success should not be measured by the fact that recovery eventually occurs, but by how quickly it takes hold and how extensive the damage caused by the slump.

Viewed in these terms, austerity has been an utter and unmitigated disaster, which has become increasingly apparent as European Union economies once again face stagnation, if not a triple-dip recession, with unemployment persisting at record highs and *per capita* real (inflation-adjusted) GDP in many countries remaining below pre-recession levels. In even the best-performing economies, such as Germany, growth since the 2008 crisis has been so slow that, in any other circumstance, it would be rated as dismal.

Austerity has been an utter and unmitigated disaster, which has become increasingly apparent as European Union economies once again face stagnation.

The most afflicted countries are in a depression. There is no other word to describe an economy like that of Spain or Greece, where nearly one in four people – and more than 50% of young people – cannot find work. To say that the medicine is working because the unemployment rate has decreased by a couple of percentage points, or because one can see a glimmer of meager growth, is akin to a medieval barber saying that a bloodletting is working, because the patient has not died *yet*.

Extrapolating Europe’s modest growth from 1980 onwards, my calculations show that output in the eurozone today is more than 15% below where it would have been

had the 2008 financial crisis not occurred, implying a loss of some \$1.6 trillion this year alone, and a cumulative loss of more than \$6.5 trillion. Even more disturbing, the gap is widening, not closing (as one would expect following a downturn, when growth is typically *faster* than normal as the economy makes up lost ground).

Simply put, the long recession is lowering Europe’s potential growth. Young people who should be accumulating skills are not. There is overwhelming evidence that they face the prospect of significantly lower lifetime income than if they had come of age in a period of full employment.

Meanwhile, Germany is forcing other countries to follow policies that are weakening their economies – and their democracies. When citizens repeatedly vote for a change of policy – and few policies matter more to citizens than those that affect their standard of living – but are told that these matters are determined elsewhere or that they have no choice, both democracy and faith in the European project suffer.

France voted to change course three years ago. Instead, voters have been given another dose of pro-business austerity. One of the longest-standing propositions in economics is the balanced-budget multiplier – increasing taxes and expenditures in tandem stimulates the economy. And if taxes target the rich, and spending targets the poor, the multiplier can be especially high. But France’s so-called socialist government is lowering corporate taxes and cutting expenditures – a recipe almost guaranteed to weaken the economy, but one that wins accolades from Germany.

The hope is that lower corporate taxes will stimulate investment. This is sheer nonsense. What is holding back investment (both in the United States and Europe) is lack of demand, not high taxes. Indeed, given that most investment is financed by debt, and that interest payments are tax-deductible, the level of corporate taxation has little effect on investment.

Likewise, Italy is being encouraged to accelerate privatization. But Prime Minister Matteo Renzi has the good sense to recognize that selling national assets at fire-sale prices makes little sense. Long-run considerations, not short-run financial exigencies, should determine which activities occur in the private sector. The decision should be

based on where activities are carried out most efficiently, serving the interests of most citizens the best.

Privatization of pensions, for example, has proved costly in those countries that have tried the experiment. America's mostly private health-care system is the least efficient in the world. These are hard questions, but it is easy to show that selling state-owned assets at low prices is not a good way to improve long-run financial strength.

All of the suffering in Europe – inflicted in the service of a man-made artifice, the euro – is even more tragic for being unnecessary. Though the evidence that austerity is not working continues to mount, Germany and the other hawks have doubled down on it, betting Europe's future on a long-discredited theory. Why provide economists with more facts to prove the point?

Joseph Stiglitz is University Professor at Columbia University and a Nobel laureate in Economics. His latest book, Freefall: Free Markets and the Sinking of the Global Economy, is now available in French, German, Japanese, and Spanish.

Our Comment

How appalling that people in power should be either so lacking in understanding, or so given to manipulating the facts! How tragic that we have not so educated ourselves as to require more of those we choose to represent our best interests!

Clearly, we need to examine our yardsticks and our scales! The way we measure the success or failure of everything from policies to systems has a lot to do with all manner of crises – from financial meltdowns to ecological ruin.

The violation of sound principles is tolerated out of helpless ignorance carefully crafted by those in a position to market, not only goods and services, but ideas – many of which are destroying our economies and our environment, and eroding our democracy.

One might add to the “nonsense” that tax cuts for corporations will spur investments, the financialization that, in fact, sucks money – the lifeblood of the economy – out of the real economy and employs it, instead, in speculation for private gain.

We need to rethink and oppose policies like privatization, on principles like, “long-run considerations...the best.”

Can't wait to read it, *Freefall: Free Markets and the Sinking of the Global Economy!*

Élan

An Ear for Suicidal Students

METRO, Torstar News Service, November 4 2014

Fifty calls per month. Helpline offers advice and understanding for youth at their wits' end

At least twice a month, Duane answers a call from a university or college student who is thinking of committing suicide.

He's a front-line counselor for Ontario's new post-secondary mental health line, which now fields a staggering 1,000 calls a month on everything from mid-terms to missing home. Some five per cent of callers say the problem is so grim they can't go on.

That's 50 Ontario students every month.

“We know, because in these cases we ask directly: ‘Are you thinking about harming yourself? Have you thought about how you might do it?’ and ‘Do you have a tool for accomplishing that?’” said Duane, who, like all counselors at Good2Talk, uses his real first name with callers but keeps his surname private due to the confidential nature of the helpline.

The Ontario government launched the 24-hour hotline last year to respond to growing concerns about mental health on campus, heightened by a string of student suicides.

In the first year of the three-year pilot project, many students have admitted to struggling with anxiety or depression as they tackle loneliness, workload, romantic troubles, pregnancy scares, relationships, academic panic and even concerns about gender identity.

One young woman's voice – and two-thirds of callers are female – sounded alarm bells this fall for Duane. Through one careful question after another, he learned she was thinking of swallowing a bottle of her mother's pills over distress at her first-term marks. Delicately, he managed to convince her this wasn't the answer.

“If they admit they actually have a tool for suicide, I'll ask, ‘Can you put it down? You have a choice to put the tool down and come back to the phone and talk, or to hang up and call 911. These are our terms. But you know you have options because you knew to call us,” he'll remind the caller. “You knew we'd care.”

Whether these calls take five minutes or 45, he said, “It's worth it if it means giving them a platform to give away part of their heaviness.”

Fourth-year student Liz White is a resi-

dence don at the University of Toronto's Victoria College. She often suggests students with personal problems call Good2Talk as a first step.

It's not clear if today's screen-obsessed young adults are growing less comfortable asking for help face-to-face, but White said students are clearly “in desperate need of just talking, and talking (to a helpline) is better than not seeking Help.”

Delicate Steps

“If they admit they actually have a tool for suicide, I'll ask: ‘Can you put it down?’” Duane, a help-line counsellor for Good2talk.

To White, a helpline gives students “the opportunity to talk without having to identify yourself as someone who needs help. It removes the intimidation factor.” Sometimes, she said, it gives students the courage to get help face-to-face.

“Students are anxious and stressed and losing hope over the current job market,” said the economics major. “They know a liberal-arts education is no guarantee to a job. They feel they have to perform above their peers to enter a competitive job market.”

Then again, suggested philosophy professor Mark Kingwell, a certain lack of happiness may be inevitable at a place that encourages people to consider big, often unsettling, ideas.

He cited an episode of *The Simpsons* in which Homer has a crayon removed from his brain, becomes smart, then gets depressed by the complexity of the world and asks that the crayon be put back in.

“Being a smart man in a dumb culture can present conflict,” said Kingwell. “If critical thought bumps up against happiness, it's sometimes a burden you must bear.”

Our Comment

It is a telling indictment of what we are doing to our young people that so many of them should require such a service.

There was a time when critical thought was one of the exciting features of university life, not a burden. But then, students were free to enjoy and profit from a liberal arts education if their interest and their aptitude attracted them to those studies. They were not driven to enroll in a course by the hope of getting accepted in the job market.

Neither were they forced into debt-slavery to pay for a post-secondary education that should be their right. (Could this have anything to do with the Trilateralists' notion that, "We, already have too many well educated people"?) (*The Crisis of Democracy*,

A Trilateral Commission Report)

Moreover, bright young people today are well aware of the state of the world and of its implications for their *future* (?).

On top of all this, our young people are considered a liability – an expense – when,

in fact, they are our chief ASSET – humanity's hope for the future – and the best investment society can make.

The stress imposed by such pressures is a crime against them!

Élan

International Movement for Monetary Reform

<http://internationalmoneyreform.org>

About IMMR

Changing the way money is created to serve society. We are a coalition of organisations and people from across the world, campaigning to change the way money is created. The organisations campaigning for monetary reform in each country follow.

Statement of Purpose

We are a coalition of organisations and people from across the world, campaigning to change the way money is created.

This Statement of purpose describes what the IMMR does, and also doesn't, do.

The Problem

The IMMR believes that our money system has mutated over the years in response to technology, regulation, de-regulation, and globalisation. The result is an unfair system which does not work in the public interest.

The IMMR has identified the following problems with the current money system:

- Unsustainable indebtedness: Because all money is issued as credit, debt increases at the same rate as the money supply.
- Financial instability: Money creation is pro-cyclical – too much is created in a boom, and too little in a recession, causing the pronounced boom and bust cycle.
- Anti-democratic: Because the government relies on commercial banks to create money, the government has to borrow more, and we have to pay higher taxes.
- Perpetual expansion: In order to service large amounts of debt the economy has to grow, even when markets are saturated and resources depleted.
- Unbalanced and unproductive economy: Banks choose where new money is spent on the basis of their own profits rather than the needs of the economy.
- Inequality and the concentration of wealth: Interest payments on the entire money supply suck wealth out of the economy in to the banks.
- Bank runs, subsidies and bailouts: The

banking system is unstable and unprofitable without government subsidies and guarantees.

- Unfair, monopolistic and anti-competitive: The right to create money gives banks an unfair and damaging advantage over all other parts of the economy.

The IMMR believes that the money system is not fit-for-purpose and needs updating. A well-functioning money system will provide more stable economies, which will benefit everybody.

"The process by which banks create money is so simple that the mind is repelled." – J. K. Galbraith, Economist

Our Goal

The IMMR is supportive of ideas and policies which move towards our end goal. We are not dogmatic about our proposals or the way they are implemented and the detail will vary from country to country. We do believe that our end goal can only be reached when these three things have been achieved:

- New money to be spent in to the economy by the Government.
- A transparent and independent process for the creation of new money, which regulates the money supply according to the needs of the economy.
- Stop the banks creating new money when they make loans (full-reserve banking).

"In the real world, banks extend credit, creating deposits in the process, and look for the reserves later." – Federal Reserve Bank of New York (1969)

The IMMR is:

- IMMR is a collaboration of not-for-profit organisations set up to campaign to reform the money system, both nationally, and internationally.
- IMMR believes that private banks should not be able to create new money when they make loans. This is an extraordinary privilege which gives the financial sector an unfair and damaging advantage over other businesses. Banks should be restricted to providing current accounts, payment services, lending, and investing money on

behalf of their savers. This will lead to a reduction in personal and Government debt, and will help to prevent another financial crisis occurring.

- The IMMR maintains a very clear and specific aim, namely to change the way the money system works.

"Of all the many ways of organising banking, the worst is the one we have today." – Sir Mervyn King, former Governor of the Bank of England

The IMMR is not:

- The IMMR does not subscribe to any conspiracy theories about the money system.
- The IMMR does not act on the behalf of any particular lobby or interest group.
- The IMMR is not a political organisation. We don't campaign for either a bigger or a smaller role for government. We campaign for changes to the money system which would be to the benefit of all political parties.
- The IMMR is not against privately owned banks. Privately-owned banks have an important function in providing payment services, a secure place for our money, investment opportunities, and to lend us money.
- The IMMR is not against bankers. Most people who work in banks do not understand the money system and its effects, and are simply trying to provide a service for customers and earn a living. Undoubtedly some bankers have abused their power, but this is not the root cause of our financial crisis; the root cause is our current money system.
- The IMMR is not against lending, or charging interest on loans where an investor is lending their money to somebody else.
- The IMMR does not believe that regulation alone can solve the problems with banking or the money system. Regulation has been shown to be ineffective, and easily reversed, but furthermore it does not alter the root causes of the problem. What is needed is legislative change.
- The IMMR is not a campaign for general financial reform, alternative economics or complementary currencies. While there are many other reforms that also need to take place, the IMMR has a specific and

narrow purpose – to change the national money systems in order to create fairer and more stable economies.

• The IMMR does not support the use of illegal or violent means to bring about change. We campaign for the money system to be changed with minimal social and economic upheaval.

“Banking is not money lending; to lend, a money lender must have money.” – Hyman Minsk

Our Comment

The statement that IMMR is not a political organization is somewhat puzzling. Making the government take responsibility for money creation will be a political task and will certainly have implications for the role of government.

Politics and economics are two sides of the same coin. This used to be recognized when what is now thought of as *economics* was called *political economy*. The separation of the two has not served us well. The intent was to suggest that economics is a nonsense, hard science based on immutable laws and mathematical certainties. When it doesn't work out that way, embarrassing variables are dismissed as “externalities.”

It isn't enough to *acknowledge* that there are “other reforms that also need to take place,” because everything is connected. We cannot change just one thing. To protect and ensure democratic process and the honest execution of duty we must, for example, include among our goals of education that of an informed electorate. We need a reformed electoral system. We have to change the way we measure the success of our systems and our policies – always in terms of the common good. And that includes all life – not just ours.

Transferring monetary authority from Parliament to a smaller group doesn't strike me as an acceptable substitute for better MPs able and committed to exercising their public statutory duty and responsibility.

It is encouraging that people all over the world are coming to realize that the way we create money is the root cause of financial instability, the erosion of democracy, our destructive dependence on growth, inequality, and a world-wide failed economy.

The conviction that money creation should serve society seems to be gaining momentum at both the national and international levels. That conviction alone should provide enough common ground for a massive movement for cooperative action.

Élan

Booklist from page 16

the muzzling of Canadian scientists – have inspired books like *The War on Canadian Science*. Yet Harris manages to produce new details in concise chapters about each of them.

Never Steal Anything Small

In the robocalls chapters, Harris brings back the whole bizarre mess that seeped out of the 2011 election. He talked at length with Michael Sona, the young Conservative zealot who's now the only person to have been convicted in what was obviously a conspiracy to steal the country. The next stage in the investigation of this affair will have to await a non-Conservative government. For now, we can only admire the technical skill that allowed the Conservatives to hack a Canadian election.

The Conservatives have also hacked our foreign service, reducing our influence over international decision-making; questioned the integrity of the Supreme Court of Canada; set back relations with our First Nations; and dismissed the findings of the auditor general they'd appointed. They have glorified our forces while in Afghanistan and heaped contempt on them as veterans.

In many of his chapters, Harris explicitly or implicitly questions both Harper's judgment and our own. In eight years Harper has appointed a string of world-class bozos to his cabinet, his PMO, and his civil service. He may enjoy a reputation as a micro-managing control freak, yet when the bozo eruptions occur, they are always someone else's fault.

So Harper appointed Mike Duffy, Patrick Brazeau, and Pamela Wallin to the Senate, and Nigel Wright to the PMO. When Duffy got in trouble, Wright (as a member of the One Per cent) wrote him a personal cheque for \$90,000 to save the taxpayers the sorrow of paying Duffy's bills. What kind of business wizard was Wright if he thought Duffy shouldn't pay his own bills?

And what kind of eagle-eyed citizens were we to accept such a patently bogus story, frosted with the assurances that Harper was shocked and appalled at this behaviour?

Refuting the Peter Principle

Harper has appointed and protected people of spectacular incompetence, from Peter Mackay (remember the F-35?) on down to Mike Duffy and Nigel Wright – until they became liabilities. In the process, he has refuted the Peter Principle, which says that people rise in the hierarchy of an organization until they hit their level of incompetence.

Under the Harper Principle, you can soar far beyond that level, rising as high as the parliamentary secretaries like Paul Calandra who eagerly take humiliating flak for their equally incompetent cabinet ministers. What Calandra expects his post-Parliament reward to be is hard to imagine.

Equally hard to imagine is the mentality of Harper's base. His supporters include not only his flunkies in Parliament and the media, but the time-servers in the civil service (like the Fisheries and Oceans people who have shrugged off the fate of BC's wild salmon).

They also include something like one in three Canadians who either grew up here between 1950 and 2000, or immigrated here, and who still voted for Harper rather than for the “secular and progressive” Canada that created or welcomed them. Our captains of industry, who gained the most from that old Canada, donate to his party come what may. Ideologues, opportunists and pundits alike make excuses for him, confident that “most Canadians don't care” about the sabotaging of their nation.

Do they really think their future prosperity depends on ignoring climate change? Do they really think that ramming a pipeline through to Kitimat will guarantee their children an affluent future? Do they pin their hopes for protection against future terrorist attacks on ever-greater police and CSIS powers?

The old Canada, for all its warts, gave my generation a secure and prosperous life and the prospect of improvement for our children.

Harper's Canada has in eight years given us anxiety, a BA requirement for a barista career, and a reputation as the world's most backward “advanced” nation.

Harper's supporters, failing to realize how deeply he despises them, would say, “Most Canadians don't care.” Maybe they don't, and they will return Harper to office – a verdict of “not guilty” to Michael Harris's indictment.

If so, they will deserve the judgment of Matthew Baillie Begbie, who dismissed the accused in a Cariboo Gold Rush murder case by saying:

“The jury in their infinite wisdom have declared that you are not guilty of sandbagging the deceased. In return for this, I would simply state that you would do me an inestimable favour if, after leaving the court house, you sandbag each and every one of that jury, and see that not one escapes. You can go.” ■

Podemos Hopes to Cement Rise of Citizen Politics in Spain After Election Success

By Ashifa Kassam in Madrid, *theguardian.com* May 27, 2014

Barely 100 days old, party born from indignados movement now has five MEPs and determination to change political landscape

Until recently, it appeared that the Spanish *indignados* movement had fizzled out. But on Sunday evening, a fledgling party born from its ashes proved otherwise, winning five seats and 1.2 million votes in Spain's European elections.

Barely 100 days old, and led by Pablo Iglesias, a 35-year-old political science professor with a ponytail, Podemos (We Can) emerged as the third largest political force in many Spanish regions, including Madrid.

The idea behind the party is simple, Iglesias told the Guardian on Tuesday. "It's citizens doing politics. If the citizens don't get involved in politics, others will. And that opens the door to them robbing you of democracy, your rights and your wallet."

The soft-spoken, former Communist Youth party member may have stunned analysts with his party's performance, but it was not enough for him. The ruling People's party (PP) had won the elections, meaning that high unemployment and home evictions would continue, he said. "We want to build a political majority that reflects the social majority of Spain."

Podemos' lofty list of election promises includes doing away with tax havens, establishing a guaranteed minimum income and lowering the retirement age to 60. The party ran its European elections campaign on a shoestring budget, using crowd funding and Iglesias' ubiquitous presence as a talking head on Spanish television to build

momentum.

Voted in by Spaniards tired with persistent unemployment, austerity measures and corruption scandals, Iglesias said Podemos MEPs would act accordingly. Rather than the standard salary of more than €8,000 (£6,500) a month, "not one of our MEPs will earn more than €1,930, an amount that's three times the minimum wage in Spain." The remainder would either go to the party or a chosen cause.

"We're not going to travel to Brussels in business class. If any lobby group approaches us, we'll make that information public." One of his first items of business, Iglesias said, would be to propose that other MEPs do the same.

Podemos' success has had many in Spanish media asking questions about Spain's two dominant political parties. The PP and the Socialists together received less than 50% of the vote, a far cry from the 81% support they received in 2009. The top PP candidate, Miguel Arias Cañete, celebrated his victory in the elections, but acknowledged the results were a "serious warning" from voters.

The Socialists went further their worst election result. Leader Alfredo Pérez Rubalcaba announced on Monday he was stepping down, adding: "It's clear that we haven't regained voters' confidence." The party will hold a meeting in late July to choose new leadership.

The fertile ground for Podemos' rapid growth was laid by the *indignados* movement not the Socialists, said Iñigo Errejón, the new party's 30-year-old campaign director. While the movement was incredibly

expansive and impossible to fully capture in a political party, he said, "many of us were there, in the plazas and in the protests, we listened to what people were saying and we took notes. Without the changes that the movement brought about in the Spanish political scene, Podemos wouldn't be possible."

The challenge for Podemos now lies in finding a balance between a grassroots movement, whose agenda depends on hundreds of working groups across the country, and a functioning political party. It has no leadership which can inform on day-to-day decisions and no system in place to hold its MEPs to account. "We're a citizen force, made up of people who got together and ran an electoral campaign practically without any money," said Errejón.

Their model right now is more focused on what they don't want to be. "Many political parties are always looking inside, never outside," said Errejón. "We don't want to structure ourselves in the same closed off way." As an example, he pointed to the Podemos' primaries for the European elections, which were open to anyone who wanted to participate and attracted 33,000 voters.

The next few months will determine whether Podemos can translate their success into a genuine shift in the Spanish political landscape, said Errejón, and quell those who call them a populist movement or one fuelled by protest votes.

The ultimate goal, he said, is bigger than just winning seats. "We don't just want to be part of a political system that is decomposing. Spain isn't lacking political parties. But what's missing is citizens engaging in politics. And we want to be a tool for that."



Our Comment. If only our social majority – however sick they may be of voting for the least noxious, and then losing anyway – if only our social majority would stand together and be counted, *we could!* Élan