

COMER

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Update on COMER Litigation

By Rocco Galati, May 13, 2015

On March 26, 2015, COMER served and filed its amended statement of claim.

On April 26, 2015, the Department of Justice indicated that it would not be filing a statement of defence, but would *again* move to strike the claim.

Shortly thereafter, I was served with what is an abusive motion to strike which:

1. Purports to take a second run at the ruling of Justice Russell, and what he determined was justiciable and upheld by the Federal Court of Appeal on July 26, 2014; and

2. The motion further repeats grounds on issue(s) *removed* from the original claim. (Clearly the amended claim was not read with any attention).

So, what we have is a repeat of the same motion in disregard to the judicial rulings.

I have requested, and Department of Justice is *not* opposing, that any motion be placed before Justice Russell so as to not duplicate unnecessary time, resources and expenses.

In addition, and concurrently, in light of the above, abusive motion, COMER is seeking leave, to the Supreme Court of Canada, from the Federal Court of Appeal, for not having simply ordered the matter to proceed to trial, on the main justiciable issues, rather than maintain the striking of the claim and order an amended statement of claim, *albeit* that we complied with filing the amended claim.

A Report to Accompany the Update on COMER Litigation

The government's latest maneuver is both encouraging and disgusting.

It's encouraging, for it demonstrates how desperate the government is to keep us from getting our day in court. Why? What are

they afraid of?

It's disgusting that, having lost two of three rounds, they should try to start all over again! Are they hoping we'll give up? Are they hoping we'll bankrupt ourselves?

It's especially repugnant, given what their strategy of postponement is costing taxpayers! (And has any other Canadian government cost Canadian taxpayers more in unsuccessful attempts to frustrate legal action by Canadians seeking social justice?)

The international relevance of this lawsuit is being recognized around the world. My favourite response continues to be that of the Netherlands. Their email message quoted Nietzsche, who said, "And those who were seen to be dancing were thought insane, by those who could not hear the music."

In Canada and the US there has been a remarkable surge of interest in the case, promoting many new opportunities for COMER to get its message out. In a call from Connecticut, someone from a TV station said, "The whole world knows about this! How come we're just finding out?"

At last, the mainstream media has begun to report on the issue. Rocco Galati has been much in demand. A recent interview by CBC's Amanda Lang, drew an avalanche of response.

Interest coming out of Québec has been particularly exciting.

On a recent visit to London, Ontario, I was shown Québec news videos of "*manifestations*" there, against *austerity*. I was shocked by the police violence demonstrators had encountered and astonished that I had heard no word of it in our English newscasts.

At about the same time, COMER received an email from someone in Montreal

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Monetary Reform: How Can I Help?

We urgently need monetary reform in Canada in order to overcome the austerity agenda which is bringing cutbacks and privatization of public services. Pressure on our government to act must come from widespread grassroots action. What can ordinary people do to exert pressure for monetary reform?

Read the open letter below. Use it to gain and share understanding of the need for monetary reform. Circulate it widely through social media, and where possible, post it on websites of your activist organizations.

Open Letter to Hassan Yussuff

Congratulations on your recent election as President of the Canadian Labour Congress! We who are Canadian social activists both inside and outside the CLC appreciate your long-time commitment not only to wage and benefit enhancements for workers, but also to social justice and environmental protection for all of us, nationally and globally. At present we are in crisis. Despite heroic efforts by many social activists, for many years we have been losing ground to the corporate agenda. This letter proposes a strategy by which the CLC, with its 3.3 million members under your leadership, could unite Canada's many social activists into a single movement to reverse this trend.

Here is our situation, as the *Making Waves* document points out. In Canada there are hundreds of organizations – large and small, local, regional, and national – working valiantly on behalf of the 99% for various aspects of human and environmental welfare. Many highly committed people are working for needed social changes which are supported by a large majority of Canadians. They achieve occasional victories, but mostly they are fighting losing defensive battles against exploitive initiatives by profit-oriented corporations, and against the Harper government and its allies. Our efforts are defensive not only in the sense that they react to corporate initiatives, but also in the sense that mostly they are attempting to prevent loss of benefits we had previously enjoyed. Our many efforts are also largely separated from each other, as we take on limited issues that we can manage.

Can we gain strength by *uniting* our efforts? Can we find some key issue which is so crucial to the entire range of issues on

which we are already working that we can all benefit by taking on this additional issue together? Might such an issue enable us to break out of our usual defensive posture to go on the *offensive* against the Harper-supported corporate agenda, and to gain new advantages? Might this issue enable us to reduce at its *heart* the power of corporate elites so that they can no longer run roughshod over us and the environment? Might we *frame* this issue vividly as an expression of our commitment to foster a caring, environmentally sensitive people's agenda?

Obtaining government funding is crucial for most of our activist struggles. But indebted governments are cutting their spending. Almost all public discussion of government finances is limited to *fiscal policy* – the management of income and spending. We are told that there are only two possibilities: raising taxes, which is now regarded as unacceptable, or cutting spending, the currently preferred option. Hence the austerity agenda. Obviously raising taxes on the rich would move us in the right direction. Although tax reform must be included, we urgently need to focus also on a potent, neglected alternative: *monetary policy*.

Concern for monetary policy leads us to focus attention on the overlooked fact that governments at all levels in Canada are heavily burdened by *interest payments* on their borrowings – some \$60 billion every year recently – and close to *\$2 trillion* since 1975! These payments are not necessary! Our governments have been borrowing at interest from private banks and other private moneylenders. The federal government could have been using our publicly owned Bank of Canada to provide needed loans at near-zero interest! Nearly all our activist groups could benefit from a return to this practice which was used effectively between 1938 and 1975, enabling Canada to get out of the Depression, through World War II, and for thirty more years to build up our social programs and infrastructure, bringing the most prosperous period in Canadian history – with negligible inflation.

How does this monetary reform enable us to go on the offensive against the corporate agenda? It takes on the corporate elites at the *heart* of their power. This is not simply their control over enormous wealth,

but even more basically it is their control, through the privately owned banking system, over the power to create money out of nothing. They use this power to exploit us! With a return to the originally mandated purpose of the Bank of Canada, the power to create money out of nothing could be made available for public benefit. We activists need to unite to campaign for this result. An understanding of the workings of our money system is needed to clarify this strategic option. We take our present system for granted, and have little awareness how unjust and damaging it is.

What is money, and where does it come from? We generally assume that government supplies our money, and indeed it does provide the cash we carry for small transactions. But cash is only about 2% to 3% of our money supply. Nearly all the rest, about 97% to 98% – money essential for facilitating economic activity – has been created as computer entries by the privately owned banks in their process of making loans. They would like us to believe that they are simply intermediators lending out the money of depositors. But this is not the case. *When banks make loans they create new*

money. When someone takes out a loan, the bank insists that the borrower provide collateral, some valuable asset that the bank can take over in case the borrower defaults on the loan. The bank gets to create that loan money out of nothing, and if we borrowers fail to pay it back fully, on time, with interest, the bank gets to take over our valuable collateral.

That is bad enough. But it gets worse. *When banks make loans, they create money for principal, but not for the interest they require to be paid.* Borrowers have to compete with each other for money which has been created

Why are Canadians afraid to speak up?

By Heather Mallick, *The Toronto Star*, June 2, 2015

Canadians have grown quiet, afraid to speak up. Let's change that.

Canada is a less interesting place than it used to be. Or rather it is harder to be interesting in this country. It is harder to speak loudly or off-the-cuff, crack a joke, be wry, wear something other than grey trousers, use an unusual word, express a weird or even slightly fresh viewpoint, or discuss something not mentioned though often thought of.

Imagine a fabric map of Canada laid out over its entire landscape. I see a giant iron descending onto our nation, knocking chunks off the Rockies and planing the foothills. The Prairies are smoother than ever. The tall-poppy lopping machines have already been by. Ontario is being steamed and starched. Anyone who deviates or even pops their head up over the parapet with a bright remark will have it severed (“I’m crushing your head,” as Mr. Tyzik used to say on Kids in the Hall). The country is flatter than an airport runway. We are dull as dust, hiding under a groundsheet and waiting for better times.

Harper has put Canada into Silent Mode. Scientists are muzzled, the Supreme Court chief justice is openly attacked for bold notions that are not even that bold, the House of Commons is now a hallway that MPs shuffle through on their way to early pensions and corporate directorships, MPs and senators follow the party line, and Harper doesn’t take questions, not from the media, not in national debates, not anywhere.

And then there’s us. I’m not blaming all this on Harper. He is one of us; we elected him; he did not deceive us. We got the cun-

ning, mean, anti-intellectual, resentment-choked, punitive, socially awkward man we knew him to be. Many of us found he had his uses.

I’ll happily take Thomas Mulcair or Justin Trudeau or a combination of the two, if only because they seem like normal, natural people who speak freely about where Canada should be headed, hopefully on high-speed trains. I understand Trudeau saying he’d support Big Brother Bill C-51 because he’ll just turn it into papier mâché once Harper’s gone.

But what if Harper doesn’t go?

With some honourable – and cherished – exceptions, journalists have been semi-chloroformed, the editorial process known as DullCheck having smothered the industry for years. I was astounded when a few journalists got a bit brave in their prose recently. Then I realized that they had taken a retirement buyout and the truth was rushing out. Where had they been hiding?

The crushing demand for sound bites and perfect behaviour throughout a politician’s life means that when a politician speaks honestly, he is pilloried. “Authenticity comes off as lunacy,” Jon Stewart said this week of the Beltway reaction to Democratic Senator Bernie Sanders’ perfectly reasonable economic proposals. Canada’s young MLAs are suspended for mistakes on social media, many of which are simply a hallmark of being young.

Noam Chomsky describes the state of things: “Either you repeat the same conventional doctrines everyone is saying, or else you say something true, and it will sound like it’s from Neptune.”

And then there’s shy watered-down Canadian journalism. We are warned never to

bore readers and we do. It’s like homeopathy, the now-derided alternative treatment in which sick people are treated with tiny diluted doses of a substance that would in normal doses make a healthy person ill.

Lazy journalism and dull creative writing are homeopathic. If I may semi-quote the critic Julian Barnes, “homeopathic” is the word for “work whose artistic content is so dilute that it cannot have any more esthetic effect than a placebo.”

When you dilute your work in order not to offend the government, friends, editors and co-workers, you put your readers last, and journalism becomes less of a draw. Then it becomes a snore and then it dies.

There are many opinions worth offering simply for an airy sense of possibility. I dream of not dismantling the Gardiner Expressway but bombing the thing from the air or doing a controlled demolition – in which road crumples inward – followed by a fireworks display and a Berlin Wall-type Bacchanalia.

Free morning coffee for toddlers. Take a bulldozer to the RCMP. Close the Royal Military College. Offer free cargo bikes with the box in front (stable, and safer for children). Alter city zoning for architectural taste, for form as well as function.

New rules for media: a ban on cheap sentiment, bonuses for jokes, a mandated fresh angle on every story. We live in end times. Everything is up for grabs. So startle us. Write something unputdownable. Write something we can’t live without.



Our Comment. Bravo! A wonderful clarion call!

Élan

only as principal to pay both principal and interest, and also to have money for essential current use. People who owe nothing are also competing to use this same money supply. As *competition* prevails, impulses toward cooperation and charity are undermined. In this debt-money system there is always a shortage of money for interest payments. Money to pay interest can only be obtained through even more borrowing and more debt. Obviously this is unsustainable. Defaults come on inevitably, and *recession* follows.

This system is also inflationary. To pay interest along with their other expenses,

businesses constantly strive to push up prices. In response, workers strive to raise wages. Hence *inflation*. The interest requirement is also a factor in driving businesses to pursue *unsustainable growth*. Moreover, as those who are economically vulnerable default on their loans, many are driven into poverty, and wealth becomes increasingly concentrated into the hands of a few, exacerbating the growing problem of *inequality*.

When borrowers pay off their loans the banks keep the interest as their own, but they *destroy* the principal. The creators of money are also its destroyers! This is an

enormous additional source of power often used to our disadvantage. If all borrowers – governments, businesses, and individuals – strove to exercise the virtue of thrift by paying off their debts, long before succeeding they would have driven the economy into deep depression.

We are all in thrall to the banks – even those of us who carry no debt. On average about 40% of the prices of all the goods in our society is the result of accumulating interest expenses! (See www.converge.org.nz/evenz/money.pdf.) We could reverse this and all the other damaging impacts of our

Choosing Freedom

By Susan George, *The Social Artist*, Spring 2015

Most people haven't noticed yet but, except for a small minority, we're all in prison. The guards aren't stupid, they let us walk about freely in the sunshine and attend the movies of our choice, but, for many of the most important aspects of our lives, we are not free. *Whose Crisis, Whose Future?* casts a cold eye on the regime of neoliberal globalization under which we live and seeks to explain how we've been incarcerated. Finance governs our economy; finance and the economy together dictate a hugely unequal world; the most basic of all resources – food and water – are disappearing for hundreds of millions and the planet is mostly reduced to the status of an exploited quarry and rubbish tip; for all these reasons, we will continue to fight each other. The last and longest chapter here proposes concrete means and strategies of escape.

I wrote this book because I am angry, perplexed and frightened: angry because so many people are suffering needlessly on account of the economic, social and ecological crisis and because the world's leaders show no signs of bringing about genuine change; perplexed because they don't seem to understand or care much about the public mood, the widespread resentment and the urgency of action; frightened because, if we don't act soon, it may well be too late, particularly where climate change is concerned.

We could enjoy a world that is clean, green and rich, providing a decent and dignified life for everyone on a healthy planet. This is not some far-fetched Utopia but a concrete possibility. The world has never been so wealthy, and we have in our hands, right now, all the knowledge, tools and

skills we need. *The obstacles are not technical, practical or financial but political, intellectual and ideological.* (Our emphasis.) The crisis could provide an extraordinary opportunity to build such a world, and the aim of this book is to explain how and why we got into the present mess and how we can get out of it, to the benefit of the planet and of people everywhere.

Although the financial part of the crisis has received the most attention and largely pushed the others off the front pages and the mental landscape, *in reality we are in the midst not of a single crisis but of a multifaceted one, which already touches, or will soon touch, nearly every aspect of nearly everyone's life and the destiny of our earthly habitat.* (Extract from *Whose Crisis, Whose Future?*, pp. 1-2, Polity Press, 2011.) Call it a crisis of the system, of civilization, of globalization, of human values, or use some other universal, all-encompassing term; the point is that it has imprisoned us mentally and physically and we must break free.

Our Comment

Susan George wrote a book, published in 1988, entitled *A Fate Worse Than Debt*, an analysis of the debt crisis in the “developing” nations.

In it, she described the debt crisis as “a particularly ugly, acute manifestation of a chronic condition, the predictable outcome of economic strategies concerned far more with the world market than with local needs.”

“By any normal standards,” she wrote, “we ought to be able to confirm confidently that this model has failed...yet these same countries are now told, by those in a position to enforce their advice, that they must

apply the same policies, only more so, in order to qualify for further loans and continuing membership in the international community. It is like prescribing cyanide as an antidote to arsenic.”

A prominent feature of the “cure” for debt crisis in the “developing” nations have been *structural adjustment programs* – measures which we in the developed nations have, over the past 3-4 decades, come to know as *austerity*.

She makes it clear that her analysis is not a conspiracy theory of history, pointing out that, “forces don't have to *conspire* if they share the same world view, aspire to similar goals, and take concerted steps to attain them.”

As predicted by Éric Toussaint and Damien Millet, authors of *Debt, the IMF and the World Bank*, who identified *debt* as a “*mechanism of dominance*,” the model imposed on the “developing” nations is now reining in the rest of us.

“The debt crisis is a symptom,” wrote Susan George, “one among many – of an increasingly polarized world organized for the benefit of a minority that will stop at nothing to maintain and strengthen its control and its privilege.... No one who cares about freedom can afford to be absent from the battle, for we are all on the field.... The old paradigm may entrench its control and win. But we are also present at the birth of a new one and millions have chosen to protect, nurture and sustain it.”

Both *A Fate Worse than Debt* and *Whose Crisis, Whose Future* are highly instructive analyses of the dominant economic model and a clear and forceful argument for the need to replace it.

Élan

money system by returning to using our publicly owned Bank of Canada to provide interest-free loans to all levels of government for public benefit. Further explanation is needed here.

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

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

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

Having money-creation under government control is no panacea. Spending for human and environmental abuse, as in war, remains possible. Any campaign for monetary reform is a struggle for *democratization of our money system*, and such a campaign can readily be integrated with the wider struggle for greater democracy. We need to develop a high degree of public awareness regarding how our money system works, and procedures to assure that accurate information on the functioning of the system is publicly available, and widespread commitment to

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.

assuring that the system is benevolently used. Strong public understanding and support are necessary to resist the intense opposition that banks can be fully expected to mount against monetary reform.

We must not wilt before the inevitable claim that government-created money is inflationary. We need to emphasize how damaging our present bank-created debt-money system itself is. It has its own long record of promoting steady, ongoing inflation, as already explained here. Inflationary pressures are built into its very genes. Moreover, there is much evidence to indicate that when governments have controlled their own money-creation they have managed their economies with very little inflation, as Canada did between 1938 and 1975. The record shows that hyperinflations, including that of Germany in the 1920s, were not driven by government irresponsibility, but by wealthy speculators, including banks, manipulating national currencies to their own great advantage (see Ellen Brown, *The Web of Debt*).

While there are additional complexities regarding our money system which specialists in monetary reform need to master, the basics have been presented here. A campaign for monetary reform must aim to get elected a federal government which will use the Bank of Canada to create money for public benefit as originally intended by the *Bank of Canada Act*, and as was done between 1938 and 1975. Here are five reasons why activists should unite in a campaign to achieve this end:

- This campaign would enable us to go on the *offensive* against the power of corporate elites at its *heart*: their monopoly over the creation of money out of nothing.

- This campaign would enable us to go on the *offensive* against our corporate antagonists so that they have to expend energy and give attention to *our* initiatives.

- This campaign would enable us to take action which is critical for all our separate struggles, and to combine our strengths into *a single struggle*.

- Victory in this struggle would not

simply maintain or restore a previous beneficial status quo. It would overcome the debt-driven, exploitive austerity agenda by enabling us to pay off public debts while *providing abundant funding* for improvements and initiatives for public benefit.

- If we *frame* our campaign by focusing on the glaring injustices resulting from elites' outrageous monopoly over the creation of money out of nothing, a power that could be made available for public benefit as in our past, we can make a compelling case for our cause.

A campaign for monetary reform will certainly be demanding. It requires bringing together many activist groups which already have challenging agendas. It requires a massive public education effort without assistance from the mainline media. It will face ferocious opposition from the banks, with the full assistance of the mainline media. It will need to convince a reluctant NDP to take up this cause. COMER has been working on this issue since the 1980s, and has much expertise, but has insufficient strength to manage the task alone. Nevertheless it has in progress a lawsuit against the federal government for its failure to carry out the mandate of the *Bank of Canada Act*. There is no other organization in Canada better situated than the CLC to lead a campaign for monetary reform. It is a tough assignment. But we need your leadership. Success could reverse the corporate agenda, and bring spectacular social and environmental improvement.

George Crowell, member of COMER, who taught Social Ethics in the Religious Studies Department, University of Windsor, 1968-96.

What else can I do?

1. Get more information from these websites and from others: www.comer.org, www.monetaryandeconomicreform.org, www.publicbankinginstitute.org (for the US), www.monetary.org (also US) and www.positivemoney.org (for the UK).

2. Form a group for ongoing study and action, especially through your labour union.

3. Open discussion with your MP, other elected representatives, and candidates for political office.

4. Get involved in promoting monetary reform through electoral politics.



Our Comment. Thank you, George!
Élan

It's Depressing But True: The Bankers Run the Show

By Ellen Brown, *Web of Debt* blog, April 8, 2015

According to a new study from Princeton University, American democracy no longer exists. Using data from over 1,800 policy initiatives from 1981 to 2002, researchers Martin Gilens and Benjamin Page concluded that rich, well-connected individuals on the political scene now steer the direction of the country, regardless of – or even against – the will of the majority of voters. America's political system has transformed from a democracy into an oligarchy, where power is wielded by wealthy elites.

“Making the world safe for democracy” was President Woodrow Wilson's rationale for World War I, and it has been used to justify American military intervention ever since. Can we justify sending troops into other countries to spread a political system we cannot maintain at home?

The Magna Carta, considered the first Bill of Rights in the Western world, established the rights of nobles as against the king. But the doctrine that “*all* men are created equal” – that all people have “certain inalienable rights,” including “life, liberty and the pursuit of happiness” – is an American original. And those rights, supposedly insured by the Bill of Rights, have the right to vote at their core. We have the right to vote but the voters' collective will no longer prevails.

In Greece, the left-wing populist Syriza Party came out of nowhere to take the presidential election by storm; and in Spain, the populist Podemos Party appears poised to do the same. But for over a century, no third-party candidate has had any chance of winning a US presidential election. We have a two-party winner-take-all system, in which our choice is between two candidates, both of whom necessarily cater to big money. It takes big money just to put on the mass media campaigns required to win an election involving 240 million people of voting age.

In state and local elections, third party candidates have sometimes won. In a modest-sized city, candidates can actually influence the vote by going door to door, passing out flyers and bumper stickers, giving local presentations, and getting on local radio and TV. But in a national election, those efforts

are easily trumped by the mass media. And local governments too are beholden to big money.

When governments of any size need to borrow money, the megabanks in a position to supply it can generally dictate the terms. Even in Greece, where the populist Syriza Party managed to prevail in January, the anti-austerity platform of the new government is being throttled by the moneylenders who have the government in a chokehold.

How did we lose our democracy? Were the Founding Fathers remiss in leaving something out of the Constitution? Or have we simply gotten too big to be governed by majority vote?

Democracy's Rise and Fall

The stages of the capture of democracy by big money are traced in a paper called “The Collapse of Democratic Nation States” by theologian and environmentalist Dr. John Cobb. Going back several centuries, he points to the rise of private banking, which usurped the power to create money from governments:

The influence of money was greatly enhanced by the emergence of private banking. The banks are able to create money and so to lend amounts far in excess of their actual wealth. This control of money-creation...has given banks overwhelming control over human affairs. In the United States, Wall Street makes most of the truly important decisions that are directly attributed to Washington.

Today the vast majority of the money supply in Western countries is created by private bankers. That tradition goes back to the 17th century, when the privately-owned Bank of England, the mother of all central banks, negotiated the right to print England's money after Parliament stripped that power from the Crown. When King William needed money to fight a war, he had to borrow. The government as borrower then became servant of the lender.

In America, however, the colonists defied the Bank of England and issued their own paper scrip; and they thrived. When King George forbade that practice, the colonists rebelled.

They won the Revolution but lost the power to create their own money supply,

when they opted for gold rather than paper money as their official means of exchange. Gold was in limited supply and was controlled by the bankers, who surreptitiously expanded the money supply by issuing multiple banknotes against a limited supply of gold.

This was the system euphemistically called “fractional reserve” banking, meaning only a fraction of the gold necessary to back the banks' privately-issued notes was actually held in their vaults. These notes were lent at interest, putting citizens and the government in debt to bankers who created the notes with a printing press. It was something the government could have done itself debt-free, and the American colonies had done with great success until England went to war to stop them.

President Abraham Lincoln revived the colonists' paper money system when he issued the Treasury notes called “Greenbacks” that helped the Union win the Civil War. But Lincoln was assassinated, and the Greenback issues were discontinued.

In every presidential election between 1872 and 1896, there was a third national party running on a platform of financial reform. Typically organized under the auspices of labor or farmer organizations, these were parties of the people rather than the banks. They included the Populist Party, the Greenback and Greenback Labor Parties, the Labor Reform Party, the Antimonopolist Party, and the Union Labor Party. They advocated expanding the national currency to meet the needs of trade, reform of the banking system, and democratic control of the financial system.

Battle of the Banking Giants

The Populist movement of the 1890s represented the last serious challenge to the bankers' monopoly over the right to create the nation's money. According to monetary historian Murray Rothbard, politics after the turn of the century became a struggle between two competing banking giants, the Morgans and the Rockefellers. The parties sometimes changed hands, but the puppeteers pulling the strings were always one of these two big-money players.

In *All the Presidents' Bankers*, Nomi Prins names six banking giants and associated banking families that have dominated politics for over a century. No popular third party candidates have a real chance of prevailing, because they have to compete with two entrenched parties funded by these massively powerful Wall Street banks.

Democracy Succumbs to Globalization

In an earlier era, notes Dr. Cobb, wealthy landowners were able to control democracies by restricting government participation to the propertied class. When those restrictions were removed, big money controlled elections by other means:

First, running for office became expensive, so that those who seek office require wealthy sponsors to whom they are then beholden. Second, the great majority of voters have little independent knowledge of those for whom they vote or of the issues to be dealt with. Their judgments are, accordingly, dependent on what they learn from the mass media. These media, in turn, are controlled by moneyed interests.

Control of the media and financial leverage over elected officials then enabled those other curbs on democracy we know today, including high barriers to ballot placement for third parties and their elimination from presidential debates, vote suppression, registration restrictions, identification laws, voter roll purges, gerrymandering, computer voting, and secrecy in government.

The final blow to democracy, says Dr. Cobb, was “globalization” – an expanding global market that overrides national interests:

[T]oday’s global economy is fully transnational. The money power is not much interested in boundaries between states and generally works to reduce their influence on markets and investments.... Thus transnational corporations inherently work to undermine nation states, whether they are democratic or not.

The most glaring example today is the secret twelve-country trade agreement called the Trans-Pacific Partnership. If it goes through, the TPP will dramatically expand the power of multinational corporations to use closed-door tribunals to challenge and supersede domestic laws, including environmental, labor, health and other protections.

Looking at Alternatives

Some critics ask whether our system of making decisions by a mass popular vote easily manipulated by the paid-for media is the most effective way of governing on behalf of the people. In an interesting Ted Talk, political scientist Eric Li makes a compelling case for the system of “meritocracy” that has been quite successful in China.

In *America Beyond Capitalism*, Prof. Gar Alperovitz argues that the US is simply too big to operate as a democracy at the na-

tional level. Excluding Canada and Australia, which have large empty landmasses, the United States is larger geographically than all the other advanced industrial countries of the OECD (Organization for Economic Cooperation and Development) combined. He proposes what he calls “The Pluralist Commonwealth”: a system anchored in the reconstruction of communities and the democratization of wealth. It involves plural forms of cooperative and common ownership beginning with decentralization and moving to higher levels of regional and national coordination when necessary.

Dr. Alperovitz is co-founder of an initiative called The Next System Project, aimed at defining the issues in a national political debate as a first step to realizing the possible. He quotes Prof. Donald Livingston, who asked in 2002:

“What value is there in continuing to prop up a union of this monstrous size?... [T]here are ample resources in the American federal tradition to justify states’ and local communities’ recalling, out of their own sovereignty, powers they have allowed the central government to usurp.”

Taking Back Our Power

If governments are recalling their sovereign powers, they might start with the power to create money, which was usurped by private interests while the people were asleep at the wheel. State and local governments are not allowed to print their own currencies; but they can own banks, and all depository banks create money when they make loans, as the Bank of England recently acknowledged.

The federal government could take back the power to create the national money supply by issuing its own Treasury notes as Abraham Lincoln did. Alternatively, it could issue some very large denomination coins as authorized in the Constitution; or it could nationalize the central bank and use quantitative easing to fund infrastructure, education, job creation, and social services, responding to the needs of the people rather than the banks.

The freedom to vote carries little weight without economic freedom – the freedom to work and to have food, shelter, education, medical care and a decent retirement. President Franklin Roosevelt maintained that we need an Economic Bill of Rights. If our elected representatives were not beholden to the moneylenders, they might be able both to pass such a bill and to come up with the money to fund it.

Ellen Brown is an attorney, chairman of the Public Banking Institute, and author of twelve books including the bestselling Web of Debt. In the Public Bank Solution, her latest book, she explores successful public banking models historically and globally. Her websites are Web of Debt, Public Bank Solution, and Public Banking Institute.

Our Comment

How different is it in Canada? What is the state of *our* democracy? Who wields the power here? (You will find more than enough hints at the correct answers, in each of two books: *A Party of One*, by Michael Harris, and *The Arrogant Autocrat*, by Mel Hurtig)

Can we justify sending troops into other countries to spread a political system *we* cannot maintain at home? (Or enable a country like Saudi Arabia – through an arms deal – to sustain those who wield power there?)

As Mackenzie King pointed out, without government control of currency and credit, “all talk of the sovereignty of Parliament and of democracy is idle and futile.”

How democratic is a country not free to pass legislation to protect its environment if that legislation might trim some corporation’s profit? How free, when an “expanding global market overrides national interests”? How free, when trade agreements from the likes of NAFTA to the TPP are birthed through secrecy, each leaving domestic laws more and more constrained.

In his latest book, *Wages of Rebellion: The Moral Imperative of Revolt*, Chris Hedges tells of a New York attorney who “stood up to state power for more than three decades, at the end of which she was shockingly disbarred and imprisoned. Her career, he writes, “coincided with the collapse of the American court system and the rise of the post-constitutional era, in which the courts are used to revoke the constitutional rights of citizens by judicial fiat.” He credits the “right-wing Federalist Society,” founded in 1982, with a “frontal assault on the legal system that has transformed it into a wholly owned subsidiary of the corporate state.”

On a visit to Toronto, Hedges – after a devastating report on the state of human rights in the US – noted that our Bill C-51 is worse than anything they have there!

The longer we wait to preserve what’s left of democracy *here* and to take back *our* power, the costlier the enterprise will be and the less likely it is to succeed.

Élan

5 Big Banks Expected to Plead Guilty to Felony Charges, but Punishments May Be Tempered

By Ben Protess and Michael Corkery, *The New York Times*, May 14, 2015

For most people, pleading guilty to a felony means they will very likely land in prison, lose their job and forfeit their right to vote. But when five of the world's biggest banks plead guilty to an array of antitrust and fraud charges as soon as next week, life will go on, probably without much of a hiccup.

The Justice Department is preparing to announce that Barclays, JPMorgan Chase, Citigroup and the Royal Bank of Scotland will collectively pay several billion dollars and plead guilty to criminal antitrust violations for rigging the price of foreign currencies, according to people briefed on the matter who spoke on the condition of anonymity. Most if not all of the pleas are expected to come from the banks' holding companies, the people said – a first for Wall Street giants that until now have had only subsidiaries or their biggest banking units plead guilty.

The Justice Department is also preparing to resolve accusations of foreign currency misconduct at UBS. As part of that deal, prosecutors are taking the rare step of tearing up a 2012 non-prosecution agreement with the bank over the manipulation of benchmark interest rates, the people said, citing the bank's foreign currency misconduct as a violation of the earlier agreement. UBS AG, the banking unit that signed the 2012 non-prosecution agreement, is expected to plead guilty to the earlier charges and pay a fine that could be as high as \$500 million rather than go to trial, the people said.

The guilty pleas, scarlet letters affixed to banks of this size and significance, represent another prosecutorial milestone in a broader effort to crack down on financial misdeeds. Yet as much as prosecutors want to punish banks for misdeeds, they are also mindful that too harsh a penalty could imperil banks that are at the heart of the global economy, a balancing act that could produce pleas that are more symbolic than sweeping.

Holding companies, while appearing to be the most important entities at the banks, are in less jeopardy of suffering the consequences of guilty pleas. Some banks worried that a guilty plea by their biggest banking units, which hold licenses that enable them to operate branches and make loans, would

be riskier, two of the people briefed on the matter said. The fear, they said, centered on whether state or federal regulators might revoke those licenses in response to the pleas.

Behind the scenes in Washington, the banks' lawyers are also seeking assurances from federal regulators – including the Securities and Exchange Commission and the Labor Department – that the banks will not be barred from certain business practices after the guilty pleas, the people said. While the SEC's five commissioners have not yet voted on the requests for waivers, which would allow the banks to conduct business as usual despite being felons, the people briefed on the matter expected a majority of commissioners to grant them.

Plea Deals an Exercise in Stagecraft

In reality, those accommodations render the plea deals, at least in part, an exercise in stagecraft. And while banks might prefer a deferred-prosecution agreement that suspends charges in exchange for fines and other concessions – or a non-prosecution deal like the one that UBS is on the verge of losing – the reputational blow of being a felon does not spell disaster.

“For any company there's a huge reputational difference between a deferred-prosecution agreement and a guilty plea,” said David A. O'Neil, a partner at Debevoise & Plimpton and former senior Justice Department official who helped secure a guilty plea to a financial crime last year from the French bank BNP Paribas. “But the government needs to be careful that it doesn't turn a guilty plea into a DPA with just another name.”

The foreign exchange investigation, which centers on accusations that traders colluded to fix the price of major currencies, will test the Justice Department's strategy for securing guilty pleas on Wall Street.

In the case of UBS, the bank will lose its non-prosecution agreement over interest rate manipulation, the people briefed on the matter said, a consequence of its misconduct in the foreign exchange case. It is unclear why that penalty will fall on UBS, but not on other banks suspected of manipulating both interest rates and currency prices.

The action against UBS underscores the threats that Justice Department officials is-

sued in recent months about voiding past deals in the event of new misdeeds, a central tactic in a plan to address the cycle of corporate recidivism. Leslie Caldwell, the head of the Justice Department's criminal division, recently remarked that she “will not hesitate to tear up a DPA or NPA and file criminal charges where such action is appropriate.”

Still, the bank is expected to avoid pleading guilty in the foreign exchange case, the people said, though it will probably pay a fine. While UBS was unlikely to plead guilty to antitrust violations because it was the first to cooperate in the foreign exchange investigation, the bank was facing the possibility of pleading guilty to fraud charges related to the currency manipulation. The exact punishment is not yet final, the people added.

The Justice Department negotiations coincide with the banks' separate efforts to persuade the SEC to issue waivers from automatic bans that occur when a company pleads guilty. If the waivers are not granted, a decision that the Justice Department does not control, the banks could face significant consequences.

For example, some banks may be seeking waivers to a ban on overseeing mutual funds, one of the people said. They are also requesting waivers to ensure they do not lose their special status as “well-known seasoned issuers,” which allows them to fast-track securities offerings. For some of the banks, there is also a concern that they will lose their “safe harbor” status for making forward-looking statements in securities documents.

In turn, the SEC asked the Justice Department to hold off on announcing the currency cases until the banks' requests had been reviewed, one of the people said. As of Wednesday, it seemed probable that a majority of the SEC's commissioners would approve most of the waivers, which can be granted for a cause like the public good. Still, the agency's two Democratic commissioners – Kara M. Stein and Luis A. Aguilar, who have denounced the SEC's use of waivers – might be more likely to balk.

Corporate prosecutions are a delicate matter, peppered with political and legal land mines. Senator Elizabeth Warren, Democrat of Massachusetts, and other liberal politicians have criticized prosecutors

for treating Wall Street with kid gloves. Banks and their lawyers, however, complain about huge penalties and guilty pleas.

And lingering in the background is the case of Arthur Andersen, an accounting giant that imploded after being convicted in 2002 of criminal charges related to its work for Enron. After the firm's collapse, and the later reversal of its conviction, prosecutors began to shift from indictments and guilty pleas to deferred-prosecution agreements. And in 2008, the Justice Department updated guidelines for prosecuting corporations, which have long included a requirement that prosecutors weigh collateral consequences like harm to shareholders and innocent employees.

"The collateral consequences consideration is designed to address the risk that a particular criminal charge might inflict disproportionate harm to shareholders, pension holders and employees who are not even alleged to be culpable or to have profited potentially from wrongdoing," said Mark Filip, the Justice Department official who wrote the 2008 memo. "Arthur Andersen was ultimately never convicted of anything, but the mere act of indicting it destroyed one of the cornerstones of the Midwest's economy."

After years of deferred-prosecution agreements, the pendulum swung back in favor of guilty pleas in 2012. It began modestly with a Japanese subsidiary of UBS pleading guilty to manipulating interest rates. UBS AG, the main banking unit, reached the non-prosecution agreement.

In pursuing cases last year against Credit Suisse and BNP Paribas, prosecutors confronted the popular belief that banks had grown so important to the economy that they could not be charged. BNP, which was accused of doing business with Iran and other countries blacklisted by the United States, paid a record \$8.9 billion fine.

Yet after prosecutors announced the deals, the banks' chief executives promptly assured investors that the effect would be minimal.

"Apart from the impact of the fine, BNP Paribas will once again post solid results this quarter," BNP's chief, Jean-Laurent Bonnafé, said.

Brady Dougan, Credit Suisse's chief at the time, said the deal would not cause "any material impact on our operational or business capabilities."

Our Comment

This report really calls on us to "put up,

or shut up"! It forces us to address questions leading to an ultimatum.

Why might commissioners grant assurances that "would allow the banks to conduct business as usual despite being felons," allowing life to "go on, probably without much of a hiccup"?

How can "the reputational blow of being a felon... not spell disaster" to an institution so dependent on trust?

Why risk the implications of wiping out the difference between a "deferred presentation agreement" and a guilty plea?

How come waivers to *automatic* bans could be granted in the best interest of "the public good"? Wouldn't the bans *be automatic* for the same reason?

Surely any deal that would not cause any material "impact on [banks'] operational or

business capabilities would mean "business as usual"? It would hardly seem to deal with recidivism! (Recidivism: relapse, repeated or habitual relapse, as into crime – tendency towards repetition of criminal or antisocial behaviour patterns.)

Why worry about antitrust and fraud at all? I suppose one must *appear* to do good.

One might find this report confusing, were it not about *oversight*. This wonderful word has two contradictory meanings. On the one hand it means "management, direction, control, surveillance." It also means "neglect, mistake, blunder."

Time to fish or cut bait – to take a stand on the issue of who, in a democracy should be in charge of the *money system*, and to *act* accordingly!

Élan

Why the Federal Budget Is Not Like a Household Budget

By Warwick Smith, *Economic Reform Australia Review*, Vol. 7, No 2., March-April 2015

Treasurer Joe Hockey is experiencing difficult times. Deteriorating terms of trade and an uncooperative senate mean that he cannot deliver the surplus when he said he would and he cannot continue to cut government expenditure without risking a recession.

I have some comforting news for Joe Hockey: the importance of the whole deficit/surplus thing has been greatly exaggerated – with a lot of help from Joe himself of course. The focus on deficits and surpluses distracts us from what's really important in the macro economy.

Hockey and Abbott are very fond of using household analogies when discussing government finances – Hockey again compared Australia's economy to a household budget in his Mid-Year Economic and Fiscal Outlook. However, a government that is sovereign with respect to its own fiat currency bears no resemblance at all to a household. Such a government creates the money we all use, either physically on a printing press or, more importantly, electronically in the accounts of financial institutions.

Licence to Print Money

Everyone understands that governments can create money. Most people also understand that governments don't just create all the money they need for all the things people want because it would cause infla-

tion. Inflation is the devaluation of money. If you have a really good season for growing apples and there is a glut, the price of apples falls. Similarly, if you have a glut of money, the price of money falls. That's inflation.

So, here lies the key insight. Inflation is the limiting factor for government expenditure, not taxes or borrowing. A government that can create money doesn't need your money from taxation or from borrowing in order to spend. There is no limit to how much money a sovereign government can spend, but if government spending plus private spending exceeds the productive capacity of the economy then you get inflation.

The real calculation faced by government should not be about how much money the government has – it has an infinite amount. The calculation should be about the capacity of the economy to absorb government spending without driving inflation.

Seeking a balanced budget and automatically borrowing any deficit spending (as we currently do) is an effective but unsophisticated way of ensuring government spending doesn't cause runaway inflation. Taxes and government borrowing remove money from the private sector, creating space for government spending (which injects money into the private sector). Remember, the government does not have to borrow or tax in order to finance spending because they can create money.

The slowing Australian economy combined with the dramatic fall in global oil

prices mean that inflation is set to fall and unemployment is rising. This is precisely the kind of environment into which the federal government could spend without borrowing (i.e., create money). Times like these represent opportunities for the government to finance productivity improving infrastructure and provide much needed services for nothing. I know it sounds too

Litigation from page 1

who wants to set up a COMER chapter there. Another group from Montreal expressed a wish to raise money to support the lawsuit. They invited COMER to send one or more speakers to an event they proposed to organize. Subsequently, Rocco Galati and I attended an afternoon seminar at the University of Quebec in Montreal. It was well attended, and a highly encouraging experience!

The weekend we spent there and the wonderful activists we met were an inspiration! Out of that development have come enthusiastic offers of help to spread the word in French in Quebec.

Both the CBC interview and the Montreal event are available at the comer.org website.

There is no way – whatever it may take – that we can give up on this case! The one response that is constant – whether at meetings, in emails or phone calls, and in often deeply moving messages that accompany donations – is a heartfelt, “Thank you for what you are doing!”

Most COMERites have already donated generously to the cause. Bill Krehm continues to support the suit to the limit of his ability. We are doing everything we can to solicit help from new sources. Now, whether we are subjected to an other motion to strike or given the leave we seek to the Supreme Court of Canada, we’ll need to raise a significant amount of money. Anything you can do to help will be sincerely appreciated.

Every cent so far donated has been recorded and accounted for and, as far as possible, personally acknowledged.

Donations can be made electronically through www.gofundme.com/COMER or by cheque made out to COMER. Please specify “Lawsuit” on the memo line.

Cheques should be sent to:

COMER, c/o Ann Emmett

83 Oakwood Avenue

Toronto, Ontario M6H 2V9

(Out of 44 cases at the supreme court level the government has won 1!)

Ann Emmett

VISIT THE COMER WEBSITE

www.comer.org

Tell your friends about it.

good to be true but this is the reality of a fiscally sovereign government.

The Government Could Spend More

Can the government just spend as much as it wants on whatever it wants? Of course not, the result would be out-of-control inflation. Can it spend a lot more than it currently is without substantial negative consequences? Absolutely.

The much discussed “quantitative easing” in the US, UK and EU is an example of this kind of spending (though very poorly targeted). The US Federal Reserve has created trillions of dollars out of thin air and used it to buy risky financial assets and government bonds in order to take the risk off the balance sheets of financial institutions and improve their supply of money. The money was created with keystrokes on a computer which simply credit the accounts that these financial institutions hold with the Federal Reserve. There has been no runaway inflationary impact of this “printing” of trillions of dollars.

This reality of fiat currency is very difficult for many people to grasp but it’s not quite the magic pudding that perhaps it appears to be. When a government creates money, it isn’t creating value from nothing. The value lies in the human and capital resources that are underutilised in the economy. The money created by the government is simply the lubricant needed to mobilise these resources.

So, productive government spending is limited by the capacity of the economy to provide the goods and services that the government wants to purchase plus the goods and services the non-government sector wants to purchase. During economic downturns, and especially in recessions, there is spare capacity in the economy which can be employed by government. It’s possible, with this in mind, to quite easily return to the post-war days of genuine full employment even during an economic downturn.

Some Basic Realities

Until people understand the basic realities of monetary economics we cannot have

a meaningful discussion of government finances.

Rather than worrying about deficits and surpluses we should be asking whether the economy would benefit from greater or lesser government expenditure or taxation. This calculation balances unemployment, spare capacity, and the need for infrastructure and services against inflation risk. It’s a complex calculation but the underlying principles are pretty straightforward.

Let me just restate for emphasis: the need for balanced federal budgets is a myth. Like many myths, it does have some factual historical origins.

Back when currencies were backed by gold it was possible for governments to go broke. Because modern currencies are not backed by anything material, sovereign governments cannot run out of money and can never be insolvent in their own currency. Somehow, mainstream political thinking hasn’t kept up with the dramatic changes in the monetary system that occurred more than 40 years ago.

The first of our politicians to really understand this and to communicate it effectively to the public will have at their disposal the tools to completely reshape our economy for the better. I know politicians can be slow off the mark but 40 years is long enough. It’s time they caught up.

Warwick Smith is a research economist at the University of Melbourne and is a freelance writer.

Our Comment

Perhaps from his position between that rock and a hard place, Joe Hockey’s perspective will bring him fresh insight into the *opportunity* that *crisis* so often generates. He may be forced to shift focus from “*the deficit surplus thing*,” which is a distraction, to the “*reality of fiat currency*.” (Fiat currency: money that has no intrinsic value but has exchange value because it is generally accepted. Modern money is fiat money.)

Household analogies are equally popular with Canadian governments, exploiting unwary taxpayers, preying on their limited understanding of the “*reality of a fiscally sovereign government*.”

That the government does not *have to* borrow or tax in order to finance spending because they can *create* money – yet do – is directly related to what is really at issue. That is, should the system’s priority be private profit, or the common good?

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What is C-51 for?

Editorial by Stuart Trew, CCPA Monitor, May/June 2015

The high-profile Duffy trial is said to have put a spotlight on the inner workings of the federal government and notably the chain of command from the PMO downwards – the who-knew-what of the Nigel Wright cheque exchange, for example (if anyone still cares). So far, Duffy's lawyers have hammered on the vagaries of Senate spending rules, with witness testimonies exposing how a supposedly non-partisan arm of government is used for political ends by Liberals and Conservatives alike. Omnibus anti-terrorism legislation still before Parliament offers a much better example of how this government in particular abuses our democratic institutions for political gain.

Bill C-51 has attracted special condemnation from the legal community and privacy watchdogs for its own vagaries. What are “terrorism offences in general?” Will the power to clandestinely disrupt potential security threats, including by draining bank accounts or shutting down websites, also permit CSIS to detain people without charge contra Charter rights? Why is the government ignoring the opinion of its privacy commissioner that the *Security of Information Sharing Act*, the first of five parts in C-51, “would potentially lead to disproportionately large amounts of personal information of ordinary, law-abiding citizens being collected and shared?” Who is going to oversee this consolidation and expansion of the government's national security activities? (If the answer is still SIRC, the CSIS review body still doesn't have the money or capacity for the job, even after the 2015 budget increase.)

When these and other questions came up during marathon hearings of the parliamentary public safety committee, government MPs lectured some witnesses on why they were wrong and suggested others had terrorist sympathies. At the end of the charade, the government majority on committee voted down all opposition amendments to C-51, but agreed to table four minor changes, no doubt handed to them by the PMO, that leave the bill's most overreaching and threatening parts intact. We've come to expect a heavy-handed, borderline authoritarian approach to legislating by this government. Remember the *Fair Elections Act*, passed last year despite near unanimous

opposition from the legal profession for how it will disenfranchise thousands of voters while making it no easier to prosecute electoral fraud. In the case of C-51, the challenge to our democracy is just as serious if not more so.

Civil liberties advocates, First Nations and environmental groups feel directly threatened. They worry the legislation will be used to harass and collect vast amounts of personal information on well-meaning activists and hapless innocents. Certainly the combination of new disruptive powers for CSIS, the information-sharing provisions in the bill, and its overly broad definition of what constitutes a threat to Canada could put a chill on free speech of all kinds. We know from internal memos the RCMP has been closely watching and in some cases infiltrating what it calls the “anti-Canada petroleum movement” since before Harper was an MP. (We should keep this in mind every time RCMP chief Bob Paulson complains about a lack of officers to handle terrorism cases.) This history suggests neither the RCMP nor CSIS needs C-51 to continue performing their shared role as subsidized private security for Canada's oil, gas and mining sectors.

Neither do they seem to need the legislation to successfully prosecute potential terrorism cases. Since January, the RCMP has arrested and prosecuted several people on terrorism-related charges using existing legislation and existing information-sharing channels. It is already a crime to travel for the purpose of committing a terrorist act, or to counsel someone to do the same. CSIS already has the authority to speak to parents about children they suspect are engaging in potential terrorist activity. And nothing in the anti-terrorism bill requires our civilian spy agency to share information about possible terrorist threats with other agencies as recommended in the Air India Commission.

So what is C-51 for? A cynic might say it's most useful for scoring a few more tough-on-crime votes in the next election. Probably, though, we should take the government for granted when it says the targets are young Muslims or recent converts, mostly men, who have been “radicalized” by conflicts in the Middle East and are spoiling for a fight, either as part of Islamic State or else here in Canada. Does this make the re-

forms in C-51 any more justified? Not at all. The government has not made a good case for why existing laws and practices are insufficient, and it has ignored recommendations that might ensure the proposed disruption and enforcement measures in C-51 will not be abused.

In his presentation to the public safety committee, Ihsaan Gardee of the National Council of Canadian Muslims said that since at least September 11, 2001, Muslims have feared “who is watching, who is tracking and what assumptions are being made” when they are simply going about their business, enjoying the freedoms everyone enjoys in Canada. Those fears are based on routine visits by CSIS, underreported instances of people being denied boarding at airports, and the terrifying high-profile cases where a Canadian resident has been detained, rendered, tortured and later absolved because the national security threat assessment was incorrect.

Craig Forcese and Kent Roach, law professors who worked with both the Arar and Air India commissions, have warned repeatedly that C-51 could increase the likelihood that mistakes will be made, and might actually undermine the successful prosecution of terrorism-related crimes while further obscuring the work of CSIS. Writing in *The Walrus*, they chillingly suggest this could be the point: “From what has been said on the record by government witnesses...we can infer that one government priority is to give CSIS the power to detain, if not formally arrest, suspects who are being investigated. Some government statements on the record also suggest that the bill could even facilitate foreign renditions.”

In a recent poll, only 14% of people felt the Senate should continue to exist in its current form. The Duffy trial clearly isn't helping. For better or worse, we need our senators to step up on C-51 – to live up to their constitutional role as a check on government overstep. What do they have to lose?

Stuart Trew is the editor of the CCPA Monitor. See more at <http://bit.ly/1Kmp8A6>.

Our Comment

Bill C-51 is a far scarier threat than any number of *terrorists!*

In his latest book, *Wages of Rebellion: The Moral Imperative of Revolt*, Chris Hedges (Truthdig.org), writes about “the collapse of the American court system and the rise

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The Five Most Outrageous Things About the Conservative Budget

By Jim Stanford, *CCPA Monitor*, May/June 2015

With a document whose very timing, let alone content, was so transparently politicized and manipulative, it's hard to even know where to start. Among the many galling, short-sighted, and ultimately destructive components of this federal budget, here are five that stand out in my view:

1. Timing. At a time of great economic

uncertainty in Canada (arising from the sharp decrease in oil prices and growing evidence of serious economic trouble), the government chose to heighten the uncertainty by delaying its budget for several weeks. Turns out this was not because of uncertainty about oil prices. The delay was actually to wait until the fiscal year started, so they could sell the GM shares and use the net proceeds to help achieve the politically

all-important "balance." This gaming of the process (let alone the content) of fiscal policymaking was shameful and reckless.

2. Selling the Silverware. The \$2.1 billion net proceeds from the sale of GM shares were essential to the government's declared, and we should add quite small, surplus of \$1.4 billion. The shares fetched \$3.3 billion, but the government had to deduct their "book value," which was artificially low due to the government's ultra-cautious accounting in 2009 when it helped bail-out the firm.

The bigger outrage is that the seat at the GM director's table was worth far more to Canada than the proceeds from the sale of shares, since it gave the government an indirect lever with which to assure the company's continuing manufacturing presence here. The fire sale was widely interpreted in the automotive media as a sign that Canada was "giving up" on the industry, as another spate of articles tells of a new migration of auto investment to Mexico.

More fundamentally, selling an asset to balance a current budget makes the state poorer, not richer. Toby Sanger with the Canadian Union of Public Employees has argued that, based on consensus analyst forecasts, the government would have made an extra \$1 billion by hanging on to its shares for just one extra year. Of course, that would be too late to help the government contest another election with a phony surplus to wave around.

The budget confirms the path of grinding, disguised austerity that has dominated fiscal policy under this government.

3. Phony Balance. The government's "balanced budget" is entirely dependent on fiscal sleight-of-hand. On top of siphoning off \$2.1 billion from the GM shares, the government diverted \$2 billion out of its normal \$3 billion contingency reserve. Apparently, things are so stable in the world economy these days there's no need for so much symbolic protection.

But perhaps most offensively of all, they raided \$3.4 billion from the annual operating surplus of the Employment Insurance system. That EI surplus, by the way, is created because our system denies benefits to over 60% of unemployed Canadians. The appropriate fiscal response, especially with

All Governments Tax and Spend

It's what they do. They raise money from the population and use it to fund government priorities, be it a national pharmacare plan or a war in the Middle East.

The question is not whether to "tax and spend," but whom we will tax and what we

should spend it on. Here are a few of the ways the 2015 AFB changes the calculus by closing tax loopholes and redistributing the tax burden to fund important new social programs to fill current public needs. (Figures are for the 2015-16 fiscal year.)

Tax	Spend
Cancel family income splitting Saves \$2 billion	Introduce poverty reduction transfer to provinces Costs \$ 2 billion
Remove capital gains deduction for individuals Saves \$3.5 billion	Create a national Pharmacare program Costs \$3.4 billion
Introduce an inheritance tax on estates over \$5 million Collects \$2 billion	Reduce post-secondary tuition fees to 1992 levels Costs \$1.9 billion
Cancel stock option deduction Saves \$600 million	Create national plan to address violence against women Costs \$500 million
Reduce inefficient fossil fuel subsidies Saves \$375 million	Increase Canada's contribution to climate change initiatives Costs \$400 million
Reduce military spending to pre-9/11 levels Saves \$1 billion	Increase foreign aid to meet international commitments Costs \$1.3 billion
Implement a tax havens withholding tax Collects \$2 billion	Invest in affordable and social housing Costs \$2 billion
Eliminate corporate meals and entertainment deduction Saves \$400 million	Create 140 new community health centres Costs \$300 million

Our Comment

As WWII amply demonstrates, the government doesn't have to depend on taxes to fund a war. It can create the money. To ignore the government's greatest source of revenue – its monetary power – to concentrate on fiscal policy to the exclusion of monetary policy, is to aid and abet the current neoliberal regime.

A truly alternative budget would recognize both the fiscal and the monetary options.

The reigning image of our monetary resources is that of a pie, and the solution to all our problems then becomes a competition for a bigger slice. This image distorts the perception of our capacity to deal adequately with all our

financial problems. That perverts a common need and a common right that should invite cooperation, into a divisive competition for a greater share of an arbitrary, finite sum.

The truth, remember, as confirmed by Graham Towers first Governor of the Bank of Canada, and demonstrated by our monetary policy from 1938 to the mid seventies is: "Anything physically possible and desirable can be made financially possible."

We need to share this truth with everybody we know and with our MP – whatever her political stripe.

Élan

growing layoffs around the country, would be to fix that problem instead of raiding the EI cookie jar. It's the response recommended in this year's Alternative Federal Budget.

That makes a total of \$7.5 billion in shell-game transactions. Without those three fiscal tricks, the reported balance would be a \$6.1 billion deficit, not a \$1.4 billion surplus. The emphasis placed on achieving balance is misplaced anyway, as many economists of all stripes have pointed out. But to attain this inappropriate "victory" in such an underhanded and misleading way sets a new low for the politicization of fiscal policy.

4. Public Transit. The opposition parties have argued that this is the moment for government to invest heavily in overdue infrastructure projects. This view is fully and loudly endorsed by economists around the world, who correctly identify secular stagnation (not public debt) as the greatest threat to prosperity and stability. The argument must be having some effect on public opinion: a recent poll indicated Canadians preferred infrastructure spending over tax cuts by more than two to one.

This government has responded to this pressure with some mostly token infrastructure initiatives in the 2015 budget. The Public Transit Fund, for example, gets several pages of text in the budget plan. But you have to wade through many tables until you realize it doesn't get any money until the 2017–18 fiscal year, and then it's only \$250 million. Given the high cost of transit investments, and how desperately we need them (for economic, social and environmental reasons), this is offensive. I am amazed Joe Oliver could announce it with a straight face.

5. More Stealth Austerity. Even many critics of the government are describing the budget as full of tax cuts and other "election goodies." This is a mischaracterization. Some of the tax cuts are new and, therefore, taking up air time. Combined with the Family Tax Cut announced last year they are also way too expensive, costing \$5 billion just this year. These cuts will have a perverse impact on equality, labour force participation and other variables, as some articles have pointed out. But the real thrust of the budget won't make the headlines because it's just "more of the same," which isn't traditionally newsworthy. The budget confirms the path of grinding, disguised austerity that has dominated fiscal policy under this government. Federal public administration employment has decreased by

50,000 positions since mid-2011. The government has imposed incremental, poorly understood spending cuts that cumulate to \$14 billion per year. It has underfunded veterans' offices, coast guard facilities, meat and railway inspectors, EI processing, and many other services that are essential to the quality and safety of our lives. The government will unilaterally reduce health transfers to the provinces beginning in 2017 by \$36 billion over a decade. It will force Canadians to work until age 67 to collect Old Age Security.

These painful and unnecessary measures are significantly undermining the quality and cohesion of Canadian society. Their silent confirmation in this budget is its dominant feature – not the pre-election goodies the government hopes we will talk about all summer.

Our Comment

Isn't the "gaming of...fiscal policy-making" one of the best things the government has going for it!

Budget from page 10

Alas! That the truth sounds *too good* to be true, makes it all too easy to discredit it.

The inflation argument against government-created money has been another important feature of neoliberal propaganda. It is not *who* creates the money that causes inflation – indeed, nothing is more inflationary than high interest rates, the solution favoured by private banks to *fight* inflation!

Inflation *determines* the limit to how much money a sovereign can spend. *The productive capacity of the economy is the regulator.*

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

Why wait for a slowing economy to exercise fiscal sovereignty? Why not *avoid* a slowing economy by investing control over the nation's currency and credit in the nation's government, "*as its most conspicuous and sacred responsibility*"? (Prime Minister Mackenzie King) This could end the destructive boom/bust pattern of the present system, and has been historically demonstrated to be a viable practice.

If, without causing inflation, governments can create trillions of dollars out of thin air to bail out failed financial institutions after their irresponsible pursuit of private profit, why shouldn't they create money to promote the common good,

As for "selling the silverware," this is at least one of the more *open* ways we are short-changed. Sleight-of-hand operations like dipping into the GM shares and the contingency reserve require the superior detection savvy of knowledgeable experts like Jim Stanford.

Robbing taxpayers seems to have become almost reputable – it's so routine. However, to steal from the unemployed is surely a particularly despicable, all-time low!

Until we address the issue of monetary policy, only "token infrastructure initiatives" are to be expected. Fiscal policy cannot finance such costly investments. Besides, if you are not in control of your monetary policy, fiscal policy is nothing but a wish list.

Austerity is not an economic necessity; it's a political choice. It is part of a political *process* that begins with the creation of money out of thin air, *as debt*, by private banks, and ends with the expropriation of the world's *real* wealth by what the occupy movement has identified as the 1%.

Élan

instead?

The proof of the "pudding" has been demonstrated in Canada and other countries. Why should money – which was originally designed as a means to an end – to facilitate the exchange of goods and services essential to society, be privatized, and allowed to become an end in itself?

We need to rethink full employment.

Could the fact that mainstream political thinking has promoted the conversion of money into a cancerous medium of power account for the "*somehow*"?

Élan

C-51 from page 11

of the post-constitutional era, in which the courts are used to revoke the constitutional rights of citizens by judicial fiat." He contends that "the [US] legal system has been transformed into a wholly owned subsidiary of the corporate state," and that "there are no institutions left that provide the citizen with a voice.

At a recent interview in Toronto, when he was asked to comment on C-51, he said that it was worse than anything they have in the US! For a forceful, pithy comment on the Bill, by Rocco Galati, who is going to challenge C-51 in *our* courts, go to the COMER website or www.youtube.com/watch?v=-AhhC0sngPo#t=189.

Élan

The Economic Theory that is Wrecking Europe

By Steve Keen, *ERA Review*, Vol. 6, No. 6, November-December 2014

The following is an extract from Prof. Steve Keen's recent article on the economic foundations of the European economic malaise.

Mainstream economic theories assert that private debt does not matter.

Translations of my book *Debunking Economics* have helped spread the understanding that the parlous state of the European economy is a direct consequence of the bad, mainstream economic theory followed by Brussels and imposed on the national governments that are imprisoned inside the Maastricht Treaty.

The guiding principle of the Maastricht Treaty and the "Stability and Growth Pact" was that economic growth and stability are enhanced by adhering to a balanced budget over the long term. For this reason they imposed two key rules: that government debt should not exceed 60 percent of GDP, and that the government deficit in any one year should not exceed 3 percent of GDP.

If you read those documents without knowing the economic theory that lies behind them, they can seem both solemn and logical. The statements about ensuring

"that fiscal policy is conducted in a sustainable manner over the cycle," that "excessive deficits" are avoided, and the "imposition of sanctions" should the Pact's "rule-based framework" be breached, make the Pact appear to be based on principles as sound and unavoidable as the Law of Gravity. One might complain about the Law of Gravity in some circumstances – like when you have fallen out of a window – but there is nothing you can do but obey it.

However, if you read the economic theory from which these apparently profound pronouncements are derived, it is obvious that the Stability and Growth Pact is based on a set of economic delusions that result in mayhem when they are applied in the real world.

The mad economic idea at the core of the Stability and Growth Pact was devised by the American economist Robert Barro and dubbed "Ricardian Equivalence" (Barro 1989). The starting point of this idea was the superficially reasonable argument that a government's spending is constrained by its income: just as a household's spending is limited by its income, a government's spending is limited by its taxation revenue. Therefore, Barro asserted, governments must run a balanced budget over the long term, and a deficit-financed cut in taxes now, must lead to an increase in taxes in the future.

This argument alone wasn't enough to base a Treaty on, because many other economists argued that the government should run a deficit during an economic downturn, since this would stimulate the economy and make the downturn less severe. It was this "Keynesian" argument that Barro wanted to destroy.

To do so, Barro added the argument that the public knows that lower taxes now require higher taxes in future, so that the public will reduce its spending when the government runs a deficit, to save today to pay the higher taxes that will fall due in the future. Hence increased government spending via a deficit is counteracted by less spending by the public.

One obvious rejoinder to Barro's argument was that a government deficit occurs now, while the future taxes it will cause may be imposed in the very distant future – maybe even after many of today's taxpayers have died. Why should someone save to pay taxes that might not even be levied on them?

Their spending should remain much the same when the government runs a deficit, so that the deficit will stimulate the economy.

This is where Barro's argument took a leap from the superficially reasonable to the obviously delusional. He argued that people alive today reduce their consumption when the government runs a deficit so that they can leave behind a bequest to enable far distant descendants to pay the eventual tax: "a network of intergenerational transfers makes the typical person a part of an extended family that goes on indefinitely. In this setting, households capitalize the entire array of expected future taxes, and thereby plan effectively with an infinite horizon" (Barro 1989, p. 40).

Do you see that insane assumption in the *Stability and Growth Pact*?

Of course not – no politician, I hope, would have signed that Pact if they knew that it relied upon mad ideas like this.

But this is routinely the case in mainstream economic theory. Exposing these critical flaws in mainstream economics is the main purpose of *Debunking Economics*.

The economic crisis in France shows that this is not merely an academic exercise. Since these flawed ideas in economics have been accepted by Brussels, they rule economic policy in Europe. And these flawed ideas have both caused immense economic suffering, and distracted attention from the real causes of Europe's crisis.

With a different, realistic approach to economic theory, the "solemn and logical" ideas in the Stability and Growth Pact are in fact farcical and stupid. Consider the argument that the government should run a balanced budget over the long term for example, which is based on seeing an analogy between households and the government. Is this the correct analogy?

What if, instead, a government was more "like a bank" than "like a household"? Would we insist that banks should follow "a balanced budget rule"? That would mean that, over the long term, lending by banks should be exactly matched by loan repayments by the public.

A moment's thought – and knowledge of how money is created – would reveal this to be a silly idea. If loans exactly matched repayments, the money supply would not grow. But a growing economy needs a growing money supply: there has never been an

BookStore

Books by Hazel Henderson, W.F. Hixson and William Krehm can be ordered online at www.comer.org.

By William Krehm:

- *Towards a Non-Autistic Economy – A Place at the Table for Society*
- *Babel's Tower: The Dynamics of Economic Breakdown*
- *The Bank of Canada: A Power Unto Itself*
- *Democracies and Tyrannies of the Caribbean*
- *How to Make Money in a Mismanaged Economy*
- *Meltdown: Money, Debt and the Wealth of Nations*
- *Price in a Mixed Economy – Our Record of Disaster*

economy in the world that has grown for long in real terms when its money supply was shrinking. So clearly, in a growing economy, loans should exceed deposits over time. In that sense, banks should “run a deficit”: their “money out” in terms of new loans should be greater than their “money back in” in the form of loan repayments.

The same observation applies to the government, which can also create money by running a deficit. If the economy is growing, then the economy needs some of that money to be created by the government – otherwise we rely solely upon the banks. And a moment’s reflection on the crisis itself – and the last 40 years of economic instability – shows that relying on the banks is not a good idea. The banks created too much private debt-based money, causing housing bubbles that generated much apparent prosperity as they grew, but economic crisis when they collapsed.

We need a growing money supply, but we need that growth to finance proper investment rather than speculation. If part of the money supply growth comes from a government deficit, rather than

from bank lending, there could be less damaging speculation and more productive investment.

The “Growth and Stability Pact” made this impossible by imposing a zero deficit rule on governments. Far from leading to “Growth and Stability,” the pact resulted in economic instability – as the banks lent wildly – followed by economic collapse. The pact then turned the downturn into a Depression by trying to directly reduce public debt, while ignoring the private debt that caused the crisis in the first place.

The European Commission makes much of the fact that public debt in France has risen from 63 percent of GDP when the crisis began – 3 percent over the Maastricht limit – to 93 percent. But when the crisis began, private debt in France was 140 percent of GDP – more than twice government debt. It is now 160 percent. Why do the bureaucrats in Brussels not worry about this level of debt? (See Figure 1.)

It’s because bad mainstream economic theory tells them that they don’t need to worry about private debt. Their theories are wrong, but they are being imposed on reality thanks to the blind belief in mainstream economics in Brussels. The naïve view of money and the role of government that is embedded in the “Growth and Stability Pact” means that the decline in the growth of government debt has compounded the problem of declining private money creation as well. This is the opposite of what happened before Brussels imposed its sanctions (see Figure 2).

The poor and unemployed of Europe are now paying for the mistakes of economic theory, which is why it is so important that mainstream economic theory be exposed for being the impostor that it is. (See Figure 3.)

Source: *Business Spectator*, September 6, 2014

Dr. Steve Keen is a Professor of Economics and Head of the School of Politics, History and Economics at Kingston University in London. Steve Keen’s *Debunking Economics* has already been translated into Chinese, and now French and Spanish translations are almost available.

• • •

Our Comment. How could any government support the idea that fiscal policy should be made the only source of government revenue – especially while endorsing, at the same time, a debt money system? The title “Stability and Growth Pact” is – to say the least – a typically misleading term. *Élan*

Figure 1: Private debt in France is far higher than government debt.

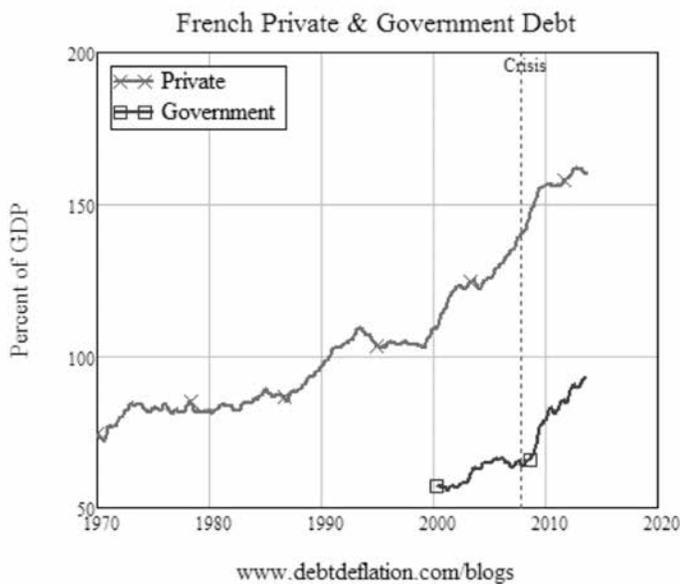


Figure 2: Changes in government debt were countercyclical before the crisis but are pro-cyclical now.

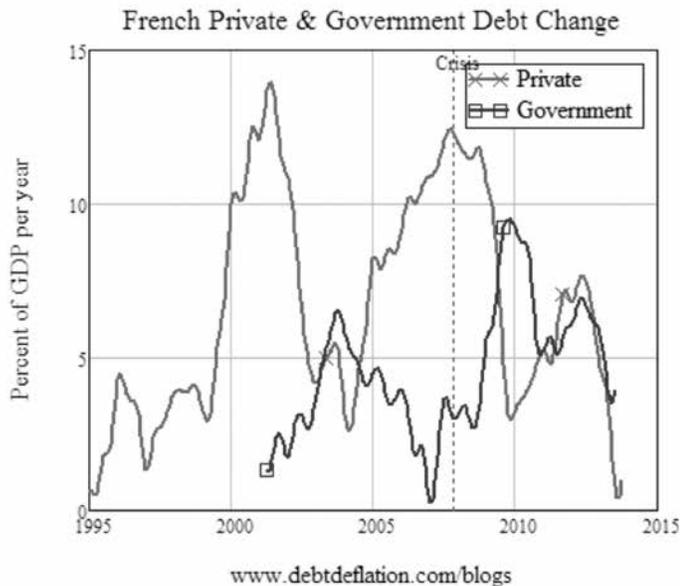
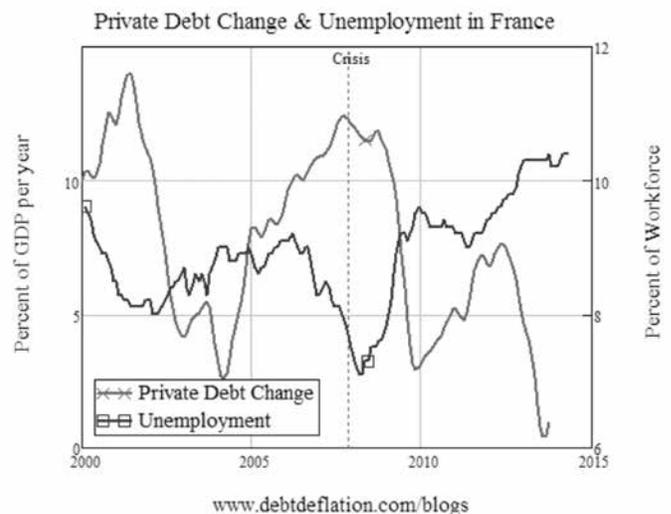


Figure 3: Unemployment in France continues to rise as private debt financed spending falls.



Liberate the Bank of Canada, Intrepid Think Tank Urges

By Murray Dobbin, *TheTyee.ca*, April 17, 2015

Canadians have been fleeced for billions, but no traction in media for complex banking case.

“Once a nation parts with the control of its currency and credit, it matters not who makes the nation’s laws. Usury, once in control, will wreck any nation.” – William Lyon Mackenzie King, prime minister of Canada, 1935

You know the old aphorism – “If a tree falls in the forest...?” Well, how about this one: If citizens win a significant victory in court against an autocratic government involving the fleecing of Canadians of billions of their hard-earned tax dollars and no one in the media actually covers it, did it really happen?

That might well be the question being asked over at the Committee for Monetary and Economic Reform, a very small and low-budget Toronto think tank. With their lawyer Rocco Galati (of Supreme Court fame in the Marc Nadon case), they have been steadily winning court battles initiated in 2011 that would oblige the Bank of Canada to return to its pre-1974 practice of lending the government money virtually interest free. But the mainstream media has boycotted the story. Galati believes the Harper government has done some serious arm-twisting to keep the story buried.

The good folks at COMER have for years – decades, actually – been trying to get people to pay attention to what is far and away the biggest, most outrageous fraud ever perpetrated on the Canadian people. I am speaking here of the fact that instead of the Canadian government borrowing money from its own bank, our bank – the Bank of Canada – it has, since 1974 chosen instead to borrow exclusively from private international and domestic financial institutions providing them with enormous, absolutely risk free profits for almost four decades.

The result, according to economist Ellen Brown: “By 2012, the government had paid C\$1 trillion in interest – twice its national debt. Interest on the debt is now the government’s single largest budget expenditure – larger than health care, senior entitlements or national defense.” While some of that interest was paid to holders of Canada Savings

Bonds, the vast majority was paid to private lenders. In the early 1990s, at the height of the media’s deficit hysteria and rhetorical nonsense about hitting a “debt wall,” 91 percent of the \$423 billion debt was due to interest charges. Our real debt – revenue minus expenditures – was just \$37 billion.

Think Tank Ignored

COMER has been trying to draw attention to this outrageous situation for so long, and have been ignored for so long, that their campaign is often portrayed as an eccentric sidebar, complete with conspiracy theories, to what is happening in the real world. But if you think having squandered \$1 trillion that could have been spent on the public good is a side issue, feel free. And if you think conspiracy theories are unappealing, then you’ll have to come up a compelling argument for a coincidence theory that explains why a nation would deliberately impoverish itself in the interests of international finance capital.

The Bank of Canada was established as a private bank in 1935 under private ownership but in 1938, recognizing that money should be created in the public interest, the government amended the *Bank Act* and turned the Bank into a public institution. The Bank was almost immediately harnessed to finance not only Canada’s war effort (we ranked fourth in production of allied war materiel) but a long list of infrastructure projects including the Trans-Canada highway, the St. Lawrence Seaway, and over the decades, hospitals and universities across the country.

It was mandated to lend not only to the federal government, but to provinces and municipalities as well with a limit of one-third of federal budget and one-quarter of a province’s.

It also created a subsidiary, the Industrial Development Bank, helping create the industrial base that recent Liberal and Conservative governments have all but destroyed through trade and investment agreements. The list goes on and on – and includes social programs like the *Old Age Security Act* and programs to assist Second World War veterans with vocational training and subsidized farmland. The interest on its loans, of course, simply went back

into government coffers.

But after nearly 40 years of this incredibly productive use of publicly created credit, unprecedented economic growth and increasing income equality, international finance got its chance to launch the free market counter-revolution against democratic governance. Stagflation – simultaneous stagnation, unemployment and inflation – was one of the first launching pads for Milton Friedman’s radical free market ideas: putting the creation of credit into private hands and creating debt burdens which would restrict the potential for democratic governance.

Friedman argued that stagflation was the direct result of irresponsible governments issuing too much money or borrowing recklessly from their central banks and sparking inflation. His radical free market ideology was shared by the Bank for International Settlements (the bank of central bankers) and in 1974 it established a new committee, the Basel Committee, to establish global monetary and financial stability.

Canada – that is, the Pierre Trudeau Liberals – joined in the deliberations. The committee’s solution was to encourage governments to borrow from private lenders and end the practice of borrowing interest-free from their own central banks. The rationale was thin from the start: Central bank borrowing was and is no more inflationary than borrowing through the private banks. The only difference was that private banks were given the legal right to fleece Canadians. The effect of the change was to effectively take a powerful economic tool out of the hands of democratic governments.

Soaring Interest

In 1974, Canada immediately stopped borrowing from the Bank of Canada, launching the country on a deficit accumulation path that in 2012 saw interest payments to private lenders top \$1 trillion. Fast forward to the present and the lawsuit, which seeks to “restore the use of the Bank of Canada to its original purpose, by exercising its public statutory duty and responsibility. That purpose includes making interest free loans to the municipal, provincial, and federal governments for ‘human capital’ expenditures (education health, other social services) and/or infrastructure expenditures.”

The COMER suit goes beyond simply demanding that the Bank of Canada return to its former practice and original mandate (which was never repealed). It goes to the

heart of the scheming of finance capital in the early 1970s when Western governments were becoming increasingly active socially and interventionist in their economies. COMER “alleges that the Bank of Canada, the Queen, the attorney general, the finance minister, and minister of national revenue are engaging in a conspiracy with the International Monetary Fund (IMF), the Financial Stability Board (FSB), and the Bank for International Settlements (BIS) to undermine Canada’s financial and monetary sovereignty.”

Given the claim of a conspiracy one might have expected that the courts would agree with the federal government’s only defence to date: That the suit is frivolous and there is “no reasonable cause of action.” But clearly the facts of the case are so compelling that COMER and Galati keep winning. Not everything, as some of their claims (court costs for example) have been dismissed. But two courts have now refused to throw the case out. The federal government could have appealed to the Supreme Court of Canada but had to file by the end of March. It didn’t.

For Galati, that is a sweet victory because now the government will have to produce substantive arguments. “They have to actu-

ally justify why they haven’t been giving interest-free loans to the government,” he said.

“They have to justify why the minutes of these meetings in Zurich are kept secret. They have to justify why the Minister of Revenue is not tabling the true figures of revenue coming in. They have to justify this in law.”

Galati argues that not only *may* the Bank of Canada lend interest free to the government, it is obliged to.

Of all the destructive elements of the so-called Washington Consensus (the name given to the free market counter-revolution launched in the mid-1970s) this one can actually be challenged in court. Free trade deals, tax cuts for the wealthy and corporations, privatization, the gutting of social programs, sweeping deregulation – all these either have been or would be deemed by the courts to be the purview of the legislative branch. But the very first initiative in this 40-year assault on democracy may actually have breached the law. And the courts seem willing, so far, to agree that this possible breach has to be explained and justified.

Murray Dobbin contributes his State of the Nation column to The Tyee and Rabble.

Our Comment

Rocco’s honest response to the frequent and often indignant question, “How is it that the mainstream media has not covered this story?”, may have had a lot to do with mainstream’s recent attention to the case – developments, for example, like the CBC interview, available at comer.org.

Certainly, the exponential surge in interest and consciousness about the issue is tremendously exciting!

The truth about money creation – while it is still, as John Kenneth Galbraith observed, “so simple that it repels the mind” – is altogether understandable, however unbelievable, to anyone given the opportunity to learn about it.

We must give thanks for the efforts of all the alternative media who have endeavoured, for years, to get the word out, and for individuals like Murray Dobbin (and the number of journalists and economists speaking the truth about money is also growing exponentially!) who are making such information wonderfully accessible to more and more people!

The most important work still to be done is at the community level.

Élan

Theses on Podemos and the “Democratic Revolution” in Spain

By Raul Zelik, The Bullet A Socialist Project e-bulletin, No. 1113, May 7, 2015 (Translation by Eric Canepa)

Even if one almost always goes wrong with such prognoses, the fact is that the Spanish state is facing the biggest rupture since the end of the Franco dictatorship. In several large cities, the left radical-democratic lists of the Guanyem! Ganemos Initiatives have real chances of winning the mayoral elections in May. In recent months in Catalonia, millions were on the street calling for the democratic right to self-determination, to which Madrid could only answer with new prohibitions. But it is above all the left party Podemos (We Can) that is dominating Spain’s political landscape. According to some current polls, Podemos, though founded only in January 2014, is the strongest party today with an almost 28 percent voter approval, one year before the parliamentary elections.

What is more remarkable about Podemos than the poll results, which can merely be volatile snapshots of the moment, is the social mobilization that the organization set

in motion. 900 Podemos base groups, so called circles, have formed throughout the whole country. Almost 10,000 people took part in the party’s founding congress in October. And in municipal district assemblies hundreds of neighbours discuss the crisis, capitalism, and “real democracy” – and in this case “neighbours” means literally neighbours. Podemos has left the subcultural milieus behind.

The level of debate is astounding, determined as it is, on the one hand, by a pragmatism directed at the 2015 elections and, on the other, by sharp criticism of neoliberalism and bourgeois political routine.

Crisis of Representation

Podemos is the expression of a crisis of representation that has gripped many countries with a neoliberal regime since the 1990s. That is, Podemos is not the product of a gradual process of growth but appears to have emerged out of a political vacuum and is expanding in an explosive manner. No existing political structures (such as trade

unions, the larger NGOs or the media) have supported the project; the party activists – most of them under 35 – belong to the generation characterized as apolitical, and its immense popularity among the population is not easily explained. In the Spanish mainstream, left positions were decidedly marginal until 2011.

Despite this, Podemos naturally did not come out of nowhere. Its bases are the new anti-institutional protest movements that have repeatedly filled public squares and streets in the Iberian peninsula. That Podemos is more than a fleeting protest party like the Pirates in Germany has mainly to do with the 15M Movement and the Mareas.

The 15M Movement (public square occupations with the demand for “real democracy now”), which many on the left at first regarded with suspicion and at the very least was seen to be naïve and tending to apoliticism, has brought forth a new generation of activists and new forms of politics and made possible a tremendous repoliticization

– both internally and externally.

The crucial factor in the 15M Movement is its intuitive linking of criticism of capitalism with democratic demands. Starting with the concrete European experience, in which there is no longer a distinction between the economic and social policy of socialists and conservatives, the movement has problematized the systemic limits to democracy in the bourgeois state: (i) The democratic process ends where the interests of big capital, that is especially the banks, begins. Before the outbreak of the crisis, Spain's debt ratio was 40 percent under the German level. Only when Madrid was forced by the EU to bail out private Spanish banks (and thus also German investors), did the state deficit explode. The cuts in healthcare and social services already made by the PSOE governments showed that in an emergency government executives have the function of carrying out underlying power interests. (ii) However, political parties also seem to be increasingly standing in the way of democracy. With the "political class," distinguished by professional politics and closed decision-making circuits, a specific social group has emerged with its own strategies of power and self-enrichment. In Spain, the political apparatuses are strongly shaped by the real estate boom of recent decades. The awarding of building permits and construction contracts, as well as state oversight of public savings banks (which have flourished in conjunction with the construction industry) guaranteed the "political class" lucrative (mostly illegal) sources of income.

In contrast to what media reports suggest, the 15M Movement has in no way dissolved itself after the ebbing of the 2011 street protests but has spread throughout society. Thus we have seen the emergence, among other things, of the so-called *mareas*, protest movement for the defence of the public education and healthcare systems, in which public service employees come together through patients' initiatives and patient and refugee groups, or the movement against forced evictions – the *Plataforma de Afectados por la Hipoteca* (PAH), a coalition of base groups, which connect direct action, solidarity and case-oriented self-help in a remarkable way. There is also a revival of labour organizations: In Andalusia, for example, activists of the base trade union SAT organized the non-violent redistribution of food purloined from supermarkets. The *mareas* in the healthcare and education sectors are supported by local groups of various smaller and larger trade unions. And, finally, the *Marchas de la Dignidad*, nationwide

protest marches on Madrid, mobilized a million people in 2014 once again.

These movements made it clear that there is a social majority beyond the political apparatuses. But it also became clear – and this in turn led to thinking processes among the anti-institutional left – that the neoliberal regime has no difficulty in sitting out social protests (as Germany's red-green government did with the Hartz IV protest at the beginning of the 2000s). Since the use of force is no longer an option, as it was for the labour movement of the twentieth century, a central means of pressure in adversarial politics is missing. "Citizens' protests," which duly request permits from the authorities and do not disturb capitalist business as usual, do not affect the neoliberal regime. It is not prohibited to have a different opinion because in the end it has no practical consequences.

Transforming Political Power

Against this background, the social movements in Spain faced the question of how these constant mobilizations could be transformed into real power from below, into *poder popular*. The Podemos and Guanyem initiatives – and this distinguishes these phenomena from other organizations of the European left – aim not simply at the founding of a new party but at the redefinition of political space. What is at issue is thus not simply new parliamentary political majorities but a transformation of the institutional framework.

The danger of accommodation to the institutions (as in the case of the German Greens, who in the end transformed themselves more than they did politics) has up to now been held at bay through the sheer speed of the movement's growth. The anti-institutional resistance is permeating the institutions with such vehemence that the institutions cannot hedge and absorb the dissidence – at least this is the project's manifest hope.

In this Podemos can certainly be accused of being itself a result of "alienated" politics. The comparison with the Guanyem initiative in Barcelona makes it clear what this means: The latter is committed – completely within the logic of grassroots movements – to local processes of change from below. Guanyem Barcelona, which will very likely present ex-squatter Ada Colau as a candidate for the mayoral elections there, arose from the *Plataforma de Afectados por la Hipoteca* (PAH). The declared goal of Guanyem is to set into motion a municipal

grassroots movement via municipal district assemblies, which will work out a platform for an alternative city government. It is thus expressly not aiming at welding together left groups through negotiations to form a coalition but to circumvent the existing (fragmented) left and at the same time incorporate them through the emergence of a grassroots movement. In terms of method, a path is being consciously taken here which is an alternative to the extant forms of representation.

Podemos is proceeding completely differently in this respect and has had great success – although in so doing it is in conflict with the radical-democratic postulates of 15M: Podemos' founding group – Pablo Iglesias, Juan Carlos Monedero, Carolina Bescansa, Luís Alegre, and Íñigo Errejón – are Madrid political scientists, most of whom have worked for extended periods in Venezuela or in Bolivia. Its central figure is the 36-year-old Pablo Iglesias, who has made a name for himself on radio and television talk shows as a critic of the neoliberal regime.

The rise of Podemos thus does not completely conform to the grassroots criteria of the 15M Movement. The initiative is carried by a small group, which to be sure intends to subject itself to democratic contestation processes but at the same time has formulated a clear claim to leadership. And it is doubtless also a product of the mass media; without television Podemos would probably be a marginal phenomenon. The grassroots participatory process unfolding with Podemos was thus originally set in motion in a more vertical way.

Podemos' founding group is pursuing a strategy overtly based on Latin American experiences. The central objective is to transform the general social discontent into an alternative political hegemony and thus launch a mobilization that in turn will open up perspectives going beyond a classic reform policy. In this context we should remember that the political change in Venezuela, Ecuador, and Bolivia was neither the simple result of electoral victories nor the result of revolutions but emerged from the combination of radical rupture, continuity, and transformation. The anti-neoliberal revolts and mass uprising have blocked the neoliberal regime in these countries for almost a decade, but the regime change took place within the existing political system. The opening up of larger transformational perspectives after this was in the last analysis due to the constitutional processes that gave

form to the underlying constituent processes (the emergence of alternative popular power). These constitutional processes resulted from the fact that in these countries there was broad popular participation in the discussion of a new social contract. Podemos appears to be pursuing a similar project; it is formulating, at least implicitly, the problem of a democratic revolution that bursts the existing institutions.

Two Elements of Discourse

To open up this possibility Podemos' discourse is based principally on two elements. 1. *Relative Indeterminacy*: Even if its critique of neoliberalism is unequivocal the consequences drawn from it are indefinite. Podemos' whole presence appears shaped by this ambivalence. Although its founding circle comes out of the Communist Youth, was active in the milieu of the Izquierda Unida (IU – United Left) or the more left Izquierda Anticapitalista, or positively refers to Chavism in Venezuela, Podemos tries to position itself outside of left-right schemes. Time and again, Podemos stresses that it represents “the new,” which cannot be described by concepts linked to “the old.” Accordingly, social conflicts are not dealt with as class questions but as a conflict between *los de abajo*, those “at the bottom” (to which then the ominous “middle strata” explicitly belong, which are becoming increasingly scarce in Spain), and the “political caste.” All problems which could damage the “Podemos brand” – in the marketing newspeak that the founders themselves use in describing the party – are dealt with in a similarly ambiguous way. For example, Iglesias positively approaches the concept of patriotism, a concept heavily tainted in Spain, and re-signifies it: “Being a patriot means extending the democratic right to self-determination to all spheres and defending the public services.” At the same time, however, he defends the right of Catalans and the Basque to decide whether they want to belong to Spain, even though he regards independence as not a sensible solution.

2. *Momentum*: Podemos assumes that the weakness of left politics is not due to faulty analysis but to the lack of a promising counter-project, and as a consequence is committed to targeted political mobilization. The entire political energy is to be concentrated on overthrowing the two-party system, that is, “the caste,” in the 2015 elections. This purpose is expressed with a conviction that at times sounds bizarre – now the party is even striving for an absolute majority “be-

cause there is no alternative to it.”

Against this background it becomes clear why it does not make sense to accuse Podemos of the ambiguity we have described. Podemos has kept its discourse open in a completely conscious way. They are openly building here on the experiences of the constituent processes in Latin America. In the 1990s and 2000s, Latin America's neo-left, especially Venezuelan Chavism, developed discourse figures capable of achieving hegemony (without working through them on the level of theory), which Ernesto Laclau later called “empty signifiers.” Laclau claims that hegemonic politics necessarily implies vagueness because social relations are heterogeneous and projects capable of majority support must accordingly reflect this heterogeneity through ambiguity. Moreover, the relative indeterminacy of a project opens up, to “the many,” participatory and democratic space for shaping reality. In the end, a social transformation is only truly open if the result is not predetermined at the outset. Podemos seems to have internalized these considerations. The project's main objective is to open a political space to the social majorities excluded from the real decision-making processes. Just as Chavism, which first attacked the corrupt “Fourth Republic” as enemies and then the “escuálidos,” that is, the US-oriented elites, Podemos has similarly chosen a clearly defined, rhetorically easy to handle opponent that unites the heterogeneous popular camp through exclusion: “the caste.”

The dangers of this radical political experiment are obvious. That the indeterminacy of the project has up to now not found expression in turf wars is also due to the fact that all efforts are being concentrated on overthrowing the two-party system. As soon as this goal is achieved or setbacks are suffered along the way, this openness can lead to a crisis at any moment. At least Podemos' base is more heterogeneous than that of Germany's Pirates: the European Parliament deputy Pablo Echenique, who proposed an alternative, more collective organizational structure at Podemos' founding congress, recently admitted, with admirable self-criticism, that just a few years ago he had been a supporter of the neoliberal party Ciudadanos and had been in favour of the Iraq War. Other Podemos components had been apolitical, internet activists or were active in the Communist Youth.

The danger is also very real that the founding group will become an elitist leadership circle. The new organizational statute, which was discussed in October in the

Asamblea di Ciudadanos and then approved in a rank-and-file decision, strongly reduces the party's structure to the leader, Pablo Iglesias. The alternative draft, “Sumando Podemos,” submitted by the European Parliament deputies Pablo Echenique and Teresa Rodríguez, proposed a three-person collective leadership. It makes sense that the overwhelming majority were for Iglesias' concept; precisely because Podemos is so heterogeneous the organization needs a strong symbolic identity. Furthermore, in recent years Iglesias has acted coherently and with ethical integrity – and he is therefore capable of integrating diverse currents.

On the other hand, in the process a personalistic leadership structure is being established, which – as can be observed in the last decade in Venezuela, Bolivia, and Ecuador – can, it is true, facilitate social mobilization but which then at its core contradicts longer-term democratization processes. Very strong leadership figures foster a culture of opportunism and claqueurs.

Long-term Transformation Project?

But the central question is a different one: Does Podemos actually have a transformation project that goes beyond the removal of the Partido Popular (PP) government? I think it does. For what would have to be done has been obvious after the mobilizations since 2011 and the ongoing conflicts with the other nations in the Spanish state:

1. The notorious corruption has to be fought, for example by establishing mechanisms of the social control of public projects and administration, introducing salary limits for functionaries, and legally anchoring radical democratic forms of participation.

2. The privatization of basic social services and the policy of forced evictions have to be stopped. No economic logic can justify the socialization of speculative losses and their being shifted onto the shoulders of the population.

3. The repressive policy against social and independence movements has to be ended and the anti-democratic exceptional laws annulled.

4. But most of all Spain needs a constitutional process similar to the process in Latin America. The 1978 constitution is (as is the monarchy established at the time) the result of an elite pact of Francoist, regionalist, social democratic and Eurocommunist party leaderships and thus the expression of a fundamental democratic deficit. It is true that this constitutional pact made possible an opening in Spain after forty years of dic-

tatorship, but it impeded a real break with the power of Francoist elites in the state and economy. A constituent process – that is, not just a meeting of constitutional jurists and politicians but a fundamental social debate as the form of development of a new popular hegemony – could finally bring to a close the unfinished democratization process. In this the *derecho a decidir* (the right to decide), defended by both social as well as independence movements, could be given a key role as an instrument for the re-democratization of *all* social spheres.

Finally, there is the question of why IU (Izquierda Unida – the United Left) was not able to articulate these wishes for change, although it shares many of Podemos' demands and in some cases formulates them more clearly. The answer seems obvious to me: IU could not articulate the revolt against the political system because it itself was an integral part of this system in many respects. The Communist Party (CP) – as the most important party of IU – actively backed the 1978 constitutional pact and also participated, via the trade union Comisiones Obreras, in the social partnership, established by the PSOE, with all its corporatist practices. IU, as a broad electoral alliance, has repeatedly formed coalition governments with the PSOE and in so doing also reproduced the usual corrupt practices. It participated – as, for example, in the case of the Caja Madrid savings bank – in the plundering of public financial institutions.

But even apart from the question of individual cases of corruption IU's organizational structures stand in contradiction to the radical democratic ambitions emerging from society. The political practice of the CP and IU was always marked by the classical logic of representation in which priority is given to the strengthening of one's own organization and its electoral successes over social (self-empowerment) processes. The means

to this change – the political organization – has become an end in itself, so that IU, like almost all parties belonging to the Party of the European Left, has become a self-referential electoral alliance. Even if thousands of party members are active in movements, the institutional logic dominates. Radical attempts at reorganization come too late.

Podemos has – up to now – been different: The organization is presently the instrument of a social process that is progressing too rapidly for the party to turn around the relation between the democratic revolt and the institutional form.

This of course does not mean that everything that happened in IU or was done by it in the last thirty years was wrong. Podemos will probably soon be confronted by many of the problems that characterize IU today. For example, how can a balance be found between the emerging political tendencies without internal organizational considerations determining the politics of the organization. But this is probably the central insight of the political process in Spain today: The intervention of the organized left was not at all irrelevant; without the experience of left activists, the 15M Movement would have fallen apart sooner, the PAH never have emerged, and Podemos would probably have been a diffuse liberal internet party like Germany's Pirates. However, a social process is sweeping aside even the organizational forms of the left. The revolutionary-democratic awakening, longed for by a part of Spanish society, cannot be articulated through the bureaucratic corset of the IU. How long Podemos remains the appropriate space for this is to be seen. However, today Podemos is one of the spaces of the democratic revolution in Spain and probably the most important one.

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Our Comment

“Did you ever ask yourself how it happens that government and capitalism continue to exist in spite of all the evil and trouble they are causing in the world?” the anarchist Alexander Berkman wrote in his essay, “The Idea is The Thing.” “If you did, then your answer must have been that it is because the people support those institutions and that they support them because they believe in them.” (Quoted in *Wages of Rebellion*.)

Even the victims support the status quo. That was obvious in the hysterical opposition to public health care in the US, and in the blind objection to the recent Ontario teachers' strike, when parents could not look ahead to when today's children will themselves be denied their hard won rights.

However different our circumstances may be, the problem of entrenched belief is a global constant. So too, is the need to deal with it at the local level, through both pragmatic opportunities like elections and crises, and public discourse that connects specific issues with their political and economic causes.

Such opportunities are springing up all around us. “Free Trade” provisions, environmental concerns and economic chaos demonstrate increasingly the “systemic limits to democracy” in the inevitable clash between the public interest and the interests of big capital. When push comes to shove the present system cannot deliver democracy, for it can only be sustained by the exploitation of the “losers” by the “winners.” Austerity is an example of the system's routine dependence on bailouts.

The neoliberal regime may have, in the past, had “no difficulty in sitting out social protests,” but such developments as our Bill C-51 would suggest that the writing on their wall is making them apprehensive about “not prohibiting a different opinion because in the end it has no practical consequences.”

We should be encouraged! At the same time, we should be truly shocked and concerned that any of our politicians support such fascist legislation. Let's hope that – like Rocco Galati – Canadians in massive numbers will not vote for *any* party or politician who supported it.

Clearly, new ways of thinking and new approaches are being pursued as the world throbs with a common, burning thirst for social justice – through the development that “could finally bring to a close the unfinished democratization process.”

Élan