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EDITORIAL

The Crisis of Capitalism

- Piyush Pant

'Capitalism is threatened', 'End of Capitalism', 'Capitalism can't be reformed! Such slogans and news headlines are a common sight nowadays. They are also at the centre of talks and discussions among intellectuals, activists and academicians all over the world. What has fuelled such a talk is the acute crisis being faced by capital-intensive economies of Europe and America. A series of developments like bank and insurance company failures triggering a financial crisis in US in 2008 that effectively halted global credit markets and required unprecedented government intervention; Euro-debt crisis starting in late 2009; and now the 'Occupy Wall Street' movement in 2011 in America have put a question mark on the much touted full - proof capitalist panacea for economic ills of mankind. Assembly of thousands of people in America targeting the Wall Street, where most of the financial institutions and share market is located, has virtually put a question mark on the success story of Capitalism.

The big question on every one's mind is - 'Is Capitalism doomed?' or 'Has Capitalism failed?' Even if they wish to fend off the thought, the stark reality keeps haunting them. The high level volatility and sharp equity-price correction hitting global financial markets signalled that most advanced economies were on the brink of a double-dip recession. A financial and economic crisis caused by too much private sector debt and leverage led to a massive re-leveraging of the public sector in order to prevent second Great Depression. But the subsequent recovery has not been healthy and has been sub-par in most advanced economies.

Earlier policymakers could always produce a new rabbit from their hat to reflate asset prices and trigger economic recovery. This time they have tried all- fiscal stimulus, near-zero interest rates, two rounds of 'quantitative easing', ring-fencing of bad debt, and trillions of dollars in bailouts and liquidity provisions for banks and financial institutions. Now they have run out of rabbits!

In fact, fiscal policy has become a drag on economic growth in both the Euro Zone and the UK. Situation is not good even in US. The state and local governments and now the federal government are cutting expenditure and reducing transfer payments. Soon, they will be on the path of raising taxes. But this development was not sudden, it was already happening gradually. Way back, the April 21, 1980 cover of Time magazine carried the stark headline: "Is Capitalism Working?" The American economy was in crisis after years of stagflation. The story recounted the ills: Mortgage rates were 17%, business loans carried 20% interest rates and productivity had collapsed. The article quoted Robert Lekachman, a left leaning City University of New York economist, as saying, "The central economic fact of our day is the declining vitality and elan of capitalism and capitalists". On the opposite side of the political spectrum, Chrysler Chairman Lee Lacocca was quoted as saying, "Free enterprise has gone to hell."

Nouriel Roubini, a New York University Professor, has gone farther than predicting the catastrophic economic downturns by saying that Capitalism itself is threatened.

In This Issue

1. Occupy Wall Street and the end of Crony Capitalism
2. The Political Issues in the Fight Against Wall Street
3. Richest One Percent Doubled their Share of US National Income
4. Occupy Wall Street: New Wave of Globalised Resistance
5. If We Want a Chance at a Decent Future, the Movement Here and Around the World Must Now
6. The Money Masters: Behind the Global Debt Crisis
7. America and Europe: Saving the Rich and Losing the Economy
8. Of the 1%, By the 1%, For the 1%
9. Europe's Debt Crisis Fuels Civil Resistance
10. No New Proposals from IMF onEuropean Debt Crisis
11. Derivatives Ownership Even More Concentrated Than Ever
12. We are Resisting

He said-"Recent popular demonstrations, from the Middle East to Israel to the UK, and rising popular anger in China - and soon enough in other advanced economies and emerging markets - are all driven by the same issues and tensions: growing inequality, poverty, unemployment, and hopelessness....Even the world's middle classes are feeling the squeeze of falling incomes and opportunities."

Roubini went on to say that Capitalism is undergoing a crisis that Karl Marx predicted a century ago, driven by an ongoing transfer of wealth and power from labour to capital (in other words from poor and middle-class people to rich people.)

Twenty years ago, the fall of communism in Eastern Europe seemed to have proved the triumph of Capitalism. The die-hards were rejoicing over it and enthusiasts like Francis Fukuyama even called it 'The end of History'. But now the 'Occupation Wall Street' movement has given the communists the opportunity to have the last laugh. Now it is they who are calling the movement as a sign of 'End of Western Capitalism'.

There are some who say it is not the end of Capitalism or failure of Capitalism, rather it is the coming demise of Crony Capitalism. Angel Gurria, Secretary General of Organisation for Economic Co-operation and Development (OECD) says-We failed as regulators, we failed as supervisors, we failed as corporate governance managers, we failed as risk managers, and we also failed in the allocation of roles and responsibilities for international economic organisations.

Writer David Knox Barker observes-" For decades, the big business has bought and paid for political favours that have undermined the system, rotting the foundation of international free market capitalism. Hard work, individual responsibility and accountability are now optional. Just reward for success and the consequences of failure are now subject to political caprice. A civilization built on essential but abandoned principles is coming apart at the seams."

Wrote Jeffrey Sachs in The Huffington Post- "Crony capitalism is the dark side of American politics and economics..... The level of corruption in Washington is staggering, growing, and rife in both parties. The White House and Congress dispense billions of dollars of favors to political supporters like a non-stop vending machine."

Peter Schweizer, author of the New York Times bestselling book "Do As I Say (Not As I Do)", recently released a new book, **"Throw Them All Out"**. The book focuses on crony capitalism and insider trading in Washington - trading that Schweizer says is not illegal, but is "highly unethical," "offensive" and "wrong." If you are a member of Congress and you sit on the defense committee, you are free to trade defense stock as much as you want to," Schweizer said in an interview. "If you're on the Senate banking committee you can trade bank stock as much as you want, and that regularly goes on in all these committees."

Similarly Brian Baird, a former Congressman, had told the Media that one line in a Bill in Congress can be worth millions and millions of dollars.

But there are others who feel that the crisis facing the Capitalism is that of loss of direction. Says American Professor Tim Jackson-'Ours is the myth of economic growth. For the last five decades, the pursuit of growth has been the single most important policy goal across the world. The global economy is five times the size it was half a century ago. The extraordinary ramping up of global economic activity is without historical precedent. It is totally at odds with the finite resource base and the fragile ecology on which we depend for survival.

He further comments-'Western capitalism is structurally reliant on growth for its stability. When growth falters-as it has done recently- Politicians panic, Businesses struggle to survive, People lose their jobs and sometimes their homes. Jackson points out that untrammeled speculation in commodities and financial derivatives brought the financial world to the brink of collapse just three years ago. It needs to be replaced by a longer, slower sense of capital.

However, Chandran Nair, founder of Hong-Kong based think tank Global Institute for Tomorrow says that it is important to understand that fundamental principles of Capitalism - that human beings are rational and markets behave rationally, and that markets will assign prices - are flawed. You could argue that slavery was the first attempt to under-price the resources. When slavery came to an end there was colonization, which was again an attempt by the capitalist model to use resources cheaply. With the end of colonies we had the globalisation argument of economic growth and then the globalisation of finance. He says- "Capitalism has essentially hit a wall and a very different conversation needs to take place.

Occupy Wall Street and the end of Crony Capitalism

By David Knox Barker

Occupy Wall Street demonstrations are sweeping the globe. Universally, demonstrators recognize that there is something fundamentally flawed with the current system of international political economy. Most interesting, the left and the right agree on a few key issues. For decades, big business has bought and paid for political favors that have undermined the system, rotting the foundation of international free market capitalism. Hard work, individual responsibility and accountability are now optional. Just reward for success and the consequences of failure are now subject to political caprice. A civilization built on essential but abandoned principles is coming apart at the seams.

Make no mistake about it capitalism is in peril. Occupy Wall Street demonstrators realize that the current system of crony capitalism is rigged. They intend to bring it down. However, before you throw in with the Occupy Wall Street movement, be aware that there are more forces afoot than being reported. An ill wind is blowing into the void produced by decades of failed policy. Far more radical elements than most are aware actually anticipated this global long wave debt collapse, and they are now seizing the day. Their plans are not a spontaneous movement of workers frustrated by a shortage of jobs and taxpayer funded banker bonuses. They have bigger fish to fry.

Sure, the big banks are some of the biggest offenders in the current rigged system of crony capitalism, but they are not alone. The corruption, graft and greed are widespread. Many major corporations pay little or no taxes. They have secured their markets, revenues, and profits with tariffs, subsidies, loopholes and government contracts. Small businesses and entrepreneurs are in the trenches, creating most of the jobs in the global economy, paying higher taxes than the global franchise companies do. In the ancient Greek tradition of Atlas, they are carrying the weight of the world on their shoulders, a weight produced by politicians gone wild and their big business benefactors. They will not shrug off their destiny; they have their own revolutionary agenda.

The focus of all the attention of the Occupy Wall Street movement is the big Wall Street banks that levered up and gambled with taxpayer-insured deposits. They lost big in global financial crisis of 2008-2009. Instead of punishment by the market for their failure and getting shutdown, broken up and divvied out to the many excellent and responsible bankers, most have now doubled down. They paid off their political stool pigeons, paid out bonuses for failure, and kept the taxpayer backstopped global debt poker game going, just a little bit longer. If they had engaged in these speculative activities with their own capital that would have been one thing, but they did so with taxpayer-insured deposits and minimal capital reserves. If bankers want to become hedge funds, more power to them, but taxpayers should not be at risk. The game of reshuffling the bad debt has now entered a new and dangerous phase; the stakes are higher than ever.

Governments are now the house, fully insured by taxpayers, since no one believed governments, let alone the worldôs only superpower, the United States, would commit financial suicide. Not fully appreciating the contradictions of the Keynesian mantra of government spending and borrowing, they failed to recognize that governments would also run out of money in a long wave global debt bust of demand destruction and dwindling tax receipts. Now the governments are in trouble, even the U.S., and the world teeters on the edge of the abyss once again.

Crony capitalism became dominant only late in the 20th century, and is now unraveling rapidly, as evidenced by the folly of taxpayer loans to crony capitalists like Solyndra management, that couldnôt even survive 6 months on $500 million hard earned American taxpayer dollars. They even stiffed their lobbyists. It is a sad affair, but similar in many respects to the story of the Roman Empire. The redistribution of wealth in Rome was to both the financial elite class that bought off the politicians for their loopholes and exemptions to keep from paying their fair share, as the entitlement class was appeased with bread and circuses. In hardly a generation, they forgot the simple pleasures of a good steak and beer earned by the sweat of their brow.

The great working middle-class of Rome paid the tab, until they buckled under the load. A system where losses are socialized and passed on to taxpayers, while winnings are privatized and go into the pockets of an elite financial class was clearly dysfunctional and destined for failure, so the Visigoths poured in and plundered. **Rome was sacked, passing the destiny of humanity to the Renaissance and our civilization, which has now lost its way. The politicians and the captains of crony capitalism sowed the wind. They are now reaping the whirlwind.**

The bankers are quick to explain that they have paid back their TARP loans. However, ninety-six year old grandmother Barker will explain to you that it was done with zero rates on her deposits. She was paid nothing on her savings, while the bankers in the form of government bond purchases loaned her life savings, some earned during the last depression, to the politicians. A small spread on trillions in savers accounts around the world has added up to a bailout that rivals and may even be bigger than TARP before it is over, largely paid for by retirees that have paid their dues to society.

The system of international crony capitalism has lasted

only a few decades before it has begun to crumble due to its internal contradictions. However, the fraud is now recognized. The open ñin your faceò corruption was too much, and the demonstrators now march in the streets. It will not end here. Demonstrators invariably become protestors, who become rioters, who will embrace the growing call for revolution. **It took decades, but by abandoning the basic and fundamental tenets of free market capitalism, political and business leaders have jeopardized the entire international political economy. They have delivered the global system to the doorstep of a socialist revolution.**

World leaders and their economic advisors do not appear to recognize the backside of a long wave debt cycle, even when they are sliding toward bankruptcy, default and ruin. They propose even more debt to solve a debt crisis. The economic long wave cycle is essentially a natural boom and bust Jubilee debt cycle that swings from the debt build up boom phase to debt deleveraging bust phase. The deleveraging can be a painful affair for all involved, but it must occur in order to move into the next long wave spring.

It is certainly not the entire movement, but observers need to be aware that there are those involved with the Occupy Wall Street movements that have a socialist revolutionary agenda. There are socialists that understand the fundamental forces at work in the economic long wave, unlike their Keynesian brethren, and therefore are exploiting the forces at work in this crisis in an attempt to drive the final nails in the coffin of international free market capitalism. They actually advocate using each long wave wither season crisis to move closer to the final crisis of capitalism in the near future.

There is a school of thought in international political economy that recognizes the powerful force that the long wave exerts on global economic activity and political trends. Immanuel Wallerstein created the world-systems analysis approach to international political economy. He proposes that we have been in a world economy, which throughout history and the rise and fall of civilizations has tended to give way to a redistributive world empire. Rome is the great example of this progression as discussed.

The crony capitalism that emerged late in the 20th century, looks a lot like Wallersteinôs redistributive world empire, where risks are socialized and bread and circuses pacify the increasingly restless and desperate masses. However, the entitlement dependent groups of the civilization are only pacified to a point. Wallerstein and most of those that adhere to the world-systems analysis approach have socialist leanings. Wallerstein and others believe that during this current long wave winter crisis phase capitalism can be forced to compromise. It can be weakened sufficiently during this crisis, then during the next long wave winter crisis the final coup de grace for capitalism can be administered, and a final socialist revolution will sweep the globe, drowning the last capitalist in a sea of debt and the inability to generate a profit.

Wallerstein insightfully identifies three key costs of the capitalist system. He recognizes that if these costs are increased sufficiently, it will result in the crippling of capitalism, bringing it to its knees. When this occurs, a new socialist world system can step in and take its place. Wallerstein identified 1) taxes, 2) raw material costs, and 3) labor costs, as the three key input costs of capitalism. He recognizes that if they can be increased, these rising costs will eventually choke the profits and life out of capitalism. A new socialist system, that has yet to be invented, will then emerge. Wallerstein has nailed it. These three costs are the key to the survival of capitalism. If these three costs are allowed to rise beyond a certain point, profits are destroyed and the capitalist system ceases to function. The long wave winter crisis is when protests allow the socialists to seize the day and raise the key costs.

There are elements in the Occupy Wall Street movement that are seeking to take this crisis opportunity to cripple capitalism. Note the signs and interviews of the Occupy Wall Street movement. The themes are consistent; 1) higher taxes, 2) anti-carbon and carbon tax advocacy, which will radically raise the raw material and production costs to all of capitalism, and 3) higher wages that are not based on productivity and merit but need. Public and private unions are bankrolling the movement.

Wallerstein, by pointing out the three costs that can be used to drive capitalism into the ground, has also effectively indentified the three key costs that can be targeted to not only end crony capitalism, but restore true international free market capitalism and produce the next global long wave boom. Those that want to end crony capitalism and return to true free market capitalism must join the fight for; 1) lower corporate and individual taxes, 2) reduced material costs through free trade and reduced regulation, and 3) performance and merit based pay.

By reversing Wallersteinôs three costs to capitalism, a return to rapid growth and a genuine form of international free market capitalism can be achieved. Occupy Wall Street demonstrators are right, crony capitalism must be abandoned. If it is, job growth and standards of living will boom in the coming long wave spring season, but only if the right policy decisions are made.

Wallersteinôs diagnoses is actually correct, the days of crony capitalism are numbered. Leaders have been weighed and found wanting. By correcting their mistakes and reversing all three of the key costs to capitalism, a new golden age for international free market capitalism will dawn. In my book Jubilee on Wall Street, An Optimistic Look at the Global Financial

Crash, this path out of this long wave winter season was termed The Great Republic. Yes, a new golden age is not only possible; odds are rising rapidly for this outcome.

Investors and traders need to realize that global markets are facing great danger. Free markets are essential to price discovery and a well-oiled and optimally functioning global economy. The ultimate outcome of the growing Occupy Wall Street movement will have a major impact on your investments. Tracking market cycles, including the long wave and the business cycles, is more important that ever. Political decisions could do massive damage to global financial markets, and thatôs exactly what some want to see happen.

President Obama needs to be careful throwing his hat in the ring with the Occupy Wall Street crowd without fully understanding all the forces at work, and their objectives. It could do more harm than good to his legacy. His pandering to protestors is a bit ironical in that his cuddling up to crony capitalist to fund his reelection war chest has even trumped that of his predecessors. However, it now appears that advocates of a new golden age for international free market capitalism and the rise of The Great Republic have a new champion for their cause.

The U.S. presidential campaign of plain talking and straight shooting businessman Herman Cain appears to best represent the potential to bring about an end to the redistributive world empire and crony capitalism. Massive tax reform is required to ensure a long wave spring season and trigger a global boom. Cain may be able to convince both the left and the right of a better way.

World-systems analysis suggests that crony capitalism will crumble during this global crisis, and the future of civilization is either a socialist revolution or alternatively, the dawn of The Great Republic and a new golden age. History is about to be made. Buckle up; it will be one wild ride as we sail deeper into the global long wave winter financial crisis and the U.S. election year of 2012. If Herman Cain drops the torch, a third party will likely be waiting in the wings to take his place, viva la revolution.

(Courtesy: LongWaveDynamics.com)

The Political Issues in the Fight Against Wall Street

By: Bill Van Auken

The Occupy Wall Street protest has struck a powerful chord throughout the US.

The demonstrators and their demand for social equality have given expression to the growing hostility of millions towards capitalism, the banks and the corporations, and the burning need for jobs, decent living standards and a guarantee of health care, education and other basic social necessities.

The growth of this movement is generating mounting concern within American ruling circles. This was expressed in an article by New York Times financial columnist Andrew Ross Sorkin, who quoted a Wall Street CEO worried about his ñpersonal safetyò and warned that the protest constituted ña warning shot about the kind of civil unrest that may emergeð as weôve seen in some European countriesð if our economy continues to struggle.ò

It is not the bankers who have to fear for their personal safety, but the demonstrators, who have been subjected repeatedly to police brutality and mass arrests for exercising their free speech rights.

Nonetheless, Sorkinôs warning about civil unrest is entirely justified. These are among the first prominent social protests in the United States in more than 30 years. Most of those involved in the occupations have never seen significant struggles for social change in their lifetimes. Coming on the heels of the mass demonstrations in Wisconsin last February, they signal the reemergence of open class struggle in the United States, the center of world capitalism.

Such struggles do not arise by accident. They are driven by the powerful contradictions of a world capitalist system which, three years after the collapse of Lehman Brothers, has produced catastrophic unemployment levels and deepening poverty for millions, while those at the top continue to pile up obscene levels of wealth.

What has kept such struggles bottled up for so long in the US? Since the late 1970s, there has been an ongoing and ever accelerating transfer of social wealth from the masses of working people to a financial oligarchy, the top 1 percent. Working class resistance to this process, from the 1981 PATCO strike on, was systematically betrayed by the unions, which have integrated themselves ever more closely into the corporations, the government and the Democratic Party.

The results are plain to see, nowhere more starkly than in New York City. There, 50 percent of total income goes to the top 1 percent, some 34,500 households with an average annual income of $3.7 million. This gilded layer rakes in more in a single day than the poorest million people in the city earn in an entire year.

The struggle against social inequality and the capitalist

system in which it is rooted is above all a political struggle. How could it be otherwise when the issues at stake are the distribution of wealth and power in society? Those in the Occupy Wall Street protest who want to carry it forward face sharp political challenges and decisions.

As this movement develops, it faces the danger, as so often happens with every form of protest in America, of being channeled into the grip of the Democratic Party. Such was the case with the antiwar demonstrations that began under the Bush administration, became regulated according to the electoral calendar and were finally wound up once Obama entered the White House, where he has continued and expanded Bushôs wars.

In its news coverage of the anti-Wall Street protests, the New York Times quotes Georgetown University professor Michael Kazin, who states, ñRants based on discontents are the first stage of any movement.ò The article goes on to quote Kazin as saying that the requirement for the protest to turn into a ñlasting movementò is for ñnewly unleashed passions to be channeled into institutions and shaped into political goals.ò

There is no doubt that the ñinstitutionsò he has in mind are those affiliated to the Democratic Party and the political establishment.

To that same end, there has been a pilgrimage to the Wall Street protest by an increasingly unlikely group of supporters, including former World Bank Vice President Joseph Stiglitz, who assured protesters that the problem wasnôt capitalism but a ñdistorted economy.ò Billionaire financier George Soros has expressed his sympathy for the Wall Street demonstrators. It is as if the French Queen Marie Antoinette (of ñLet them eat cakeò fame) decided to pay a courtesy call and offer pastries to protesters outside the Bastille.

Their main fear is that the protest over the conditions created by the crisis of the capitalist system will crystalize into a movement armed with an anti-capitalist program.

This fear is shared by the group of unions that participated in a march from City Hall to the protest site in Zuccotti Park. They hid the fact that far from leading any struggle of their own against Wall Street, they have actively collaborated in the imposition of the austerity measures demanded by finance capital against their own members and the working class as a whole.

For example, the largest of the union endorsers, 1199-SEIU, joined Governor Cuomoôs Medical Redesign Team and supported its recommendations earlier this year for sweeping cuts in health care funding, resulting in layoffs and an assault on Medicare. Others have carried out similar betrayals.

If the union bureaucrats have endorsed the Wall Street protest it is not to join in any fight, but rather to smother it and turn it into a vehicle for the Democratic Party and the Obama reelection campaign.

The issues raised by the Wall Street protests pose the necessity of a struggle against the capitalist system.

Above all, this requires a turn to the working class and the mobilization of its independent strength against the financial parasites who have looted the whole of society. It means building new organizations of struggle in the workplaces, neighborhoods and schools.

The political starting point of this struggle is a break with the parties of big business, the Democrats as well as the Republicans. The working class must unite all the oppressedð workers, students, youth, the unemployed, the elderlyð in the building of a new mass political party based on a socialist program.

This must include the demand for an emergency public works program to provide employment for all in the vitally necessary work of rebuilding schools, hospitals, housing and infrastructure and improving the conditions of life for working people.

The right to a livable income, high quality health care and education, decent and affordable housing and other social necessities must be guaranteed for all through a fundamental reorganization of society and redistribution of wealth.

The capitalist system has failed working people in the United States and around the globe. The only viable alternative is the socialist reorganization of society, placing the banks and corporations that dominate the US and world economy under public ownership and the democratic control of the working class, to serve social needs rather than private profit.

As in Egypt, Greece and elsewhere, working people in the United States are being thrown into new struggles by the crisis of the profit system. Like the protesters on Wall Street, the working class enters these struggles without the political program, organizations and leadership that are needed to win.

(Courtesy: wsws.org)

Richest One Percent Doubled their Share of US National Income

By: Barry Grey

A study released by the Congressional Budget Office (CBO) reports that the richest 1 percent of US households nearly tripled their income between 1979 and 2007 and doubled their share of the national income.

The report also concludes that the top 20 percent of US households increased its share of national income while every other quintile saw its share decline. The top 20 percent received 53 percent of income in 2007ð that is, its income surpassed the income of the other 80 percent of Americans.

This documentation of the staggering growth of inequality in the US by the nonpartisan budget analysis arm of Congress highlights the conditions underlying the anti-Wall Street protests that have spread across the US and internationally. The protests have focused on social inequality and the domination of the corporations and banks over the political system and every aspect of life. The burden of this domination has become unbearable for millions of youth and workers under conditions of mass unemployment and brutal cuts in education, health care and other social necessities.

The CBO analysis, based on Internal Revenue and US Census data, closely tracks previous studies on income inequality in the US by private organizations and academic economists, but represents an official government acknowledgment of the sharp increase in inequality.

The major findings of the report include:-

- Average inflation-adjusted after-tax income for the 1 percent of the population with the highest income grew by 275 percent from 1979 to 2007. Their share of national income rose from nearly 8 percent in 1979 to 17 percent in 2007.
- For the rest of the top income quintile, average real after-tax income rose by 65 percent.
- For the three-fifths of people in the middle of the income scale, the growth of after-tax real income was under 40 percent. Their share of national income declined by 2 to 3 percentage points.
- For the poorest fifth of the population, average real after-tax household income rose by only 18 percent between 1979 and 2007. Their share of national income was about 5 percent, down from 7 percent in 1979.

The CBO report attributes the increased concentration of wealth at the top primarily to changes in the private economy, including the growth of the financial sector, the increased share of wealth for the rich from capital gains, and sharply higher CEO and executive pay. However, it acknowledges that federal tax policy over the nearly thirty-year period has favored the wealthy over ordinary working people. ñThe equalizing effect of federal taxes was smallerò in 2007 than in 1979, as ñthe composition of federal revenues shifted away from progressive income taxes to less-progressive payroll taxes,ò the report states.

The CBO also cites the cutting back on cash payments to lower-income Americans, such as Social Security benefits, Medicare and unemployment insurance.

The study defines household income to include so-called ñtransferò paymentsð income from Social Security, unemployment insurance, workersô compensation, other federal programs, state and local assistance programs, food stamps, school meals, housing and energy assistance, Medicare and Medicaid. Were these sources not included and income defined more narrowly as wages and benefits, the disparities in income would be considerably larger.

Moreover, the study ends prior to the onset of the financial crisis and recession. The past four years have seen a further widening of the social chasm as the Obama administration, on behalf of the corporate-financial elite, has carried out a right-wing program to place the burden for the crisis on the working class and intensify the assault on wages, benefits and social services.

The massive growth of social inequality over the past three decades has been the result of an unrelenting ruling class offensive against the working class. That assault has been carried out under Democratic as well as Republican administrations.

The offensive was launched in earnest with Reaganôs firing of the PATCO air traffic controllers in 1981. That was the signal for more than a decade of wage-cutting, strike-breaking, union-busting and labor frame-ups, made possible by the complicity of the trade union bureaucracy. It deliberately isolated and betrayed scores of bitter struggles in order to break the militant resistance of the working class.

The unions simultaneously adopted a corporatist policy of labor-management ñpartnershipò to integrate themselves into the structure of corporate management and bind them even more firmly to the capitalist state. The strike weapon was abandoned and the unions transformed into business entities whose essential function is to suppress the class struggle.

This went hand-in-hand with the deindustrialization

of the US and a huge growth of financial speculation, tax cuts for business and the wealthy, the deregulation of the corporations and banks, and increasingly onerous cuts in social programs.

All of these processes have been accelerated since the Wall Street crash of 2008 and ensuing bailout of the banks. The opposition of the Obama administration and the entire political establishment to any serious measures to address mass unemployment has produced a further impoverishment of broad social layers.

The spread of social misery in the midst of soaring corporate profits and CEO pay is starkly shown in the growth of poverty in US suburbs. The New York Times on Tuesday reported that the ranks of the poor living in the suburbs of US cities rose by more than half between 2000 and 2010. Two thirds of these new suburban poor dropped below the official poverty line between 2007 and 2010.

The Times article, reporting analyses of US Census data by the Brookings Institution, said the increase in poverty in the suburbs was 53 percent, compared with 26 percent in the cities.

Nationwide, 55 percent of poor people in metropolitan areas now live in the suburbs, up from 49 percent in 2000. The newspaper quoted Elizabeth Kneebone, a senior researcher at the Brookings Institution, as saying, ñFor the first time, more than half of the metropolitan poor live in suburban areas.ò

The Detroit metro area had the highest proportion of poor people living in its suburbs at 59 percent in 2010. Cleveland was second with 57 percent.

Meanwhile, the plundering of the economy by the financial aristocracy continues. USA Today reported Wednesday that directors who sit on the corporate boards of Fortune 500 companies will see their pay increase this year by 10 percent from 2010, rising to a median figure of nearly $234,000. The CEOs and retired executives who fill these boards average about 4.3 hours a week on board work, according to a recent study by the National Association of Corporate Directors.

The CBO report on income inequality underscores the total disconnect between the Obama administration and the entire political system on the one hand and the interests and desires of the vast majority of Americans on the other. The political and media establishment is presently consumed with a debate over how much further taxes for the corporations and the rich should be cut and how much more deeply social programs for workers and poor people should be slashed.

The various right-wing policies being advanced on all sides will dramatically increase the chasm separating the top 1 percent from the broad masses of people. On the tax front, Obama and the Democrats are pushing for a bipartisan tax ñreformò that would substantially reduce corporate taxes and tax rates for the wealthy.

The Republicans are calling for even more drastic cuts in taxes for the rich, with the contenders for the 2012 Republican presidential nomination advancing rival plans to eliminate entirely income taxes indexed to wealth and replace them with a ñflatò tax that would cap rates at between 9 percent (Herman Cain) and 20 percent (Rick Perry). These plans are designed not only to provide a windfall for the rich, but also to undermine federal entitlement programs such as Medicare, Medicaid and Social Security.

Both parties are simultaneously proposing rival plans to slash social spending. Recently, Senate Democrats called on the congressional ñsupercommitteeò established to come up with a bipartisan proposal to reduce the federal deficit to adopt the Obama administrationôs plan for $3 trillion in deficit reduction over the next decade, including $500 billion in Medicare and Medicaid cuts.

U.S. Young-old Wealth Gap Worse than Ever

The wealth gap between younger and older Americans has stretched to the widest on record, worsened by a prolonged economic downturn that has wiped out job opportunities for young adults and saddled them with housing and college debt.

The typical U.S. household headed by a person aged 65 or older has a net worth 47 times greater than a household headed by someone under 35, according to an analysis of census data released recently.

While people typically accumulate assets as they age, this wealth gap is now more than double what it was in 2005 and nearly five times the 10-to-1 disparity a quarter-century ago, after adjusting for inflation.

The analysis reflects the impact of the economic downturn, which has hit young adults particularly hard. More are pursuing college or advanced degrees, taking on debt as they wait for the job market to recover. Others are struggling to pay mortgage costs on homes now worth less than when they were bought in the housing boom.

Occupy Wall Street:
New Wave of Globalized Resistance

By: Peter Custers

A View From Europe

The outpour of anger over the bailing out of banks and other financial institutions at the expense of the worldôs poor was truly massive and virtually global. On October the 14th last, at the call amongst others of New Yorkôs Occupy Wall Street movement, synchronic public protests were staged in over 900 cities worldwide. In Europe, the response was specially large in Italy and in Spain. A reported one hundred thousand people marched through the city of Rome, protesting the stringent austerity measures of Italyôs Berlusconi government. But the outpour of indignation was largest in Spain, which country has the most powerful anarchist tradition of any country in Europe. In Madrid, the multitude gathered at the Puerta del Sol square was estimated at some half a million people. But Barcelona, the city that in the late 1930s functioned as headquarters of Spainôs anarchist resistance against fascism, - the size of the crowd was very credible too, numbering perhaps sixty thousand. Numerous were the squares where small tent camps were erected by radical activists. Numerous the people showing they are no longer willing to stand by as politicians single-mindedly struggle to keep the worldôs financial system afloat. Even the Netherlands, where extra-parliamentary resistance has been weak since the late eighties, saw the emergence of a modest óoccupationô-camp. By the end of October, the square next to the Beurs (Stock Exchange) in Amsterdam was packed with tents and supportive facilities, including a communal kitchen run with food donated by the public.

Those who have been following events unfold are familiar with the saga. Yet it is worthwhile to recall briefly how the day of global resistance mid-October got shaped. Less than a month earlier, on September the 19th, several thousand activists had taken the unprecedented step of occupying a park located right opposite Wall Streetôs Stock Exchange in New York, the worldôs premier financial centre. The occupationôs core participants were not just motivated by a deep sense of outrage over Wall Streetôs unchecked power. Through trainings they had also prepared themselves for the eventuality of police violence. At first, the government of President Obama and its Wall Street friends may have believed the initiative would peter out. However, the extent of support for the occupation became quickly visible after US media showed images of 7 hundred people being arrested on New Yorkôs Brooklyn bridge, on October 1. Ever since, messages of solidarity have been pouring in for Occupy Wall Street from across the globe. Celebrities have travelled to the spot of the tent camp to express their support. And many American trade unions, including middle-of-the-road unions, have voiced agreement with the action. As polls have indicated, well over half the USôs population sympathizes with the movement and its goals. And although Obama has sought to sideline the movement by speaking about the publicôs pent-up frustration, - nothing it seems could prevent the further spread of the new movement. Indeed, the saying that a single spark can start a prairie fire seems to accurately express what has happened this last month.

However, the call to action has not just come from New York. In fact, the proposal to protest on October the 14th originally hailed from Madrid in Spain, where activists in May last set up an independent camp community on the capitalôs central square, the Puerta del Sol. And in fact, both Spanish and American protestors have repeatedly expressed their indebtedness to the events that took place in Egypt, in January/February. Clearly, the tent camp at Tahrir square in Cairo, with its elaborate, improvised provisions including doctors and medical aid, did not only function as the centre of the uprising of the Egyptian people against dictator Mubarak. It did not just inspire people throughout the Arab world to revolt against autocracy, but has helped even break the stupor which many people in the Western world have felt since the start of the financial crisis of 2008. Clearly, the tent camps in Cairo, Madrid and New York are part of the same chain, of a new surge of globalized resistance. This wave of globalized resistance is somewhat different in nature from the wave the world witnessed before. To recall: the idea of globalized resistance was first shaped in Seattle in 1999, where thousands of people from all over the globe gathered to prevent the WTO from holding its conference. The previous wave reached its peak in Genua where forty thousand people in 2001 staged direct resistance hoping to shut down the meeting of the G-8. And focused protests around world conferences have never died down. Yet with the mushrooming of this yearôs urban tent camps, and with the synchronized protests staged October 14, - globalized resistance appears to have become more rooted, nationally and locally.

Still, from a European point of view one critical note needs perhaps to be placed: the apparent lack of an

organic connection between the day of global protests - and ongoing peopleôs actions in Greece. Whereas Greece is facing a straight economic disaster due to the policies its government is forced to pursue, - activists who gathered to protest in Athens on October 14 were poor in numbers. Instead, there was a near unanimous popular response to the two-day general strike which Greeceôs trade unions called several days later, October 19 and 20. All public services were shut, schools and custom offices were closed, and state hospitals were running on emergency staff. Even traffic controllers staged a walk-out! Further, the choice of the two dates for the general strike was logical, since the Greek Parliament on October 20 was scheduled to vote on new austerity measures aimed at securing continued international payments towards the countryôs external debt. And the days were marked by open defiance. Thus, on October the 20th, one of the unions linked to Greeceôs Communist Party (KKE), called Pame, staged a symbolic encirclement at AthensôSyntagma square, - around the Parliament building where voting was scheduled for that day. Contrary to the globalized protests staged on October 14, - the stiff resistance waged by the Greek population against externally induced austerity measures is very poorly reported internationally. And although the protests at times are marred by conflicts within the Greek Left carried over from history, - the flexibility in the forms of, largely nonviolent action the Greek population combines (occupations and strikes) is exemplary, to say the least.

How then to evaluate the significance of this new wave of globalized resistance? Two points stand out forcefully, even as events are still unfolding. First ï the activists of Occupy Wall Streets and their European counterparts have very well succeeded in communicating their outrage over whatôs arguably the biggest scandal in contemporary history. The documentary movie óInside Jobôdirected by Charles Ferguson makes the point well. The deregulation of the worldôs financial sector implemented since the 1980s has basically had two results. On the one hand, banks and other financial institutions have engaged in reckless speculation at the expense of the public, i.e. of small savers and pension-holders, the banksô depositors, - and at the risk of a near-global financial collapse. On the other hand, those who have devised these policies ï people like Allen Greenspan, the former head of the US Federal Reserve, and Larry Summers whom Obama has appointed his chief economic chief advisor (!) - have not only gone scot-free. They have amply benefited from their dangerous policies. And whereas the big banks have been bailed out, and are continuing to be bailed out ï the latest candidate in Europe is Belgiumôs Dexia bank, ï very little has been done for the victims of recklessness. Many tens of millions of people have lost their jobs worldwide, as many have sunk into indebtedness ï but not a single one of those bankers who pocketed tens or hundreds of millions of dollars in personal property has been legally charged.

There is yet a second point the Wall Street occupiers make that appears to hold much political significance. One of the slogans put forward by the activists says they represent the voice of 99 percent ï versus the interests of 1 percent. This slogan surely refers to the fact that a very small minority during the era of globalization has amassed ever more wealth, even as most people have not benefited. Yet Wall Street occupiers in venting these figures also target the fact that Western democracy increasingly lacks substance, i.e. that much of the decision-making over the bailing out of the banks has occurred without any say for the public, or even for their formal representatives, the parliamentarians. Literally trillions of Dollars were handed out in 2008/2009 to leading Western banks in order to prevent a financial collapse. Yet lawmakers either were not informed, or only afterwards meekly registered their consent. Where political leaders and public opinion builders ever project an image of Western societies as being highly democratic ï the new wave of globalized resistance severely questions the quality of Western democracy. Indeed, the urban tent camps erected from New York and Oakland to Amsterdam and beyond do endeavor to practice an alternative form of democracy, - one respecting everybodyôs voice and rights. This democracy via plenary camp meetings held on a daily basis does not necessarily result in clarity over the path towards social change. Yet in challenging formal democracy the activists do effectively challenge conventional views.

(Courtesy: countercurrents.org)

If We Want a Chance at a Decent Future, the Movement Here and Around the World Must Grow

By: Noam Chomsky

It's a little hard to give a Howard Zinn Memorial Lecture at an Occupy meeting. There are mixed feelings that go along with it. First of all, regret that Howard is not here to take part and invigorate it in his particular way, something that would have been the dream of his life, and secondly, excitement that the dream is actually being fulfilled. Itôs a dream for which he laid a lot of the groundwork. It would have been the fulfillment of a dream for him to be here with you.

The Occupy movement really is an exciting development. In fact, it's spectacular. It's unprecedented; there's never been anything like it that I can think of. If the bonds and associations that are being established at these remarkable events can be sustained through a long, hard period ahead -- because victories don't come quickly-- this could turn out to be a very significant moment in American history.

The fact that the demonstrations are unprecedented is quite appropriate. It is an unprecedented era -- not just this moment -- but actually since the 1970s. The 1970s began a major turning point in American history. For centuries, since the country began, it had been a developing society with ups and downs. But the general progress was toward wealth and industrialization and development -- even in dark and hope -- there was a pretty constant expectation that it's going to go on like this. That was true even in very dark times.

I'm just old enough to remember the Great Depression. After the first few years, by the mid-1930s, although the situation was objectively much harsher than it is today, the spirit was quite different. There was a sense that we're going to get out of it, even among unemployed people. It'll get better. There was a militant labor movement organizing, CIO was organizing. It was getting to the point of sit-down strikes, which are very frightening to the business world. You could see it in the business press at the time. A sit-down strike was just a step before taking over the factory and running it yourself. Also, the New Deal legislations were beginning to come under popular pressure. There was just a sense that somehow we're going to get out of it.

Itôs quite different now. Now thereôs kind of a pervasive sense of hopeless, or, I think, despair. I think itôs quite new in American history and it has an objective basis. In the 1930s unemployed ñworking peopleò could anticipate realistically that the jobs are going to come back. If youôre a worker in manufacturing today -- and the unemployment level in manufacturing today is approximately like the Depression -- if current tendencies persist, then those jobs arenôt going to come back. The change took place in the '70s. There are a lot of reasons for it. One of the underlying reasons, discussed mainly by economic historian Robert Bernard, who has done a lot of work on it, is a falling rate of profit. That, with other factors, led to major changes in the economy -- a reversal of the 700 years of progress towards industrialization and development. We turned to a process of deindustrialization and de-development. Of course, manufacturing production continued, but overseas (itôs very profitable, but no good for the workforce). Along with that came a significant shift of the economy from productive enterprise, producing things people need, to financial manipulation. Financialization of the economy really took off at that time.

Before the '70s, banks were banks. They did what banks are supposed to do in a capitalist economy: take unused funds, like, say, your bank account, and transfer them to some potentially useful purpose, like buying a home or sending your kid to college. There were no financial crises. It was a period of enormous growth; the largest period of growth in American history, or maybe in economic history. It was sustained growth in the '50s and '60s and it was egalitarian. So the lowest percentile did as well as the highest percentile. A lot of people moved into reasonable lifestyles -- whatôs called here ñmiddle classò (working class is what itôs called in other countries).

It was real. The '60s accelerated it. The activism of the '60s, after a pretty dismal decade, really civilized the country in lots of ways that are permanent. Theyôre not changing. The '70s came along and suddenly thereôs sharp change to industrialization and the offshoring of production. The shifting to financial institutions, which grew enormously. Also in the '50s and '60s there was the development of what became several decades later the high-tech economy. Computers, Internet, the IT revolution was mostly developed in the '50 and the '60s, and substantially in the state sector. It took a couple of decades before it took off, but it was developed then.

The 1970s set off a kind of a vicious cycle that led to a concentration of wealth increasingly in the hands of the financial sector, which doesn't benefit the economy. Concentration of wealth yields concentration of political power, which, in turn, arrives to legislation that increases and accelerates the cycle. The physical policies such

as tax changes, rules of corporate governance, deregulation were essentially bipartisan. Alongside of this began a very sharp rise in the costs of elections, which drives the political parties even deeper than before into the pockets of the corporate sector.

A couple years later started a different process. The parties dissolved, essentially. It used to be if you were a person in Congress and hoped for a position of committee chair or a position of responsibility, you got it mainly through seniority and service. Within a couple of years, you started to have to put money into the party coffers in order to get ahead. That just drove the whole system even deeper into the pockets of the corporate sector and increasingly the financial sector--a tremendous concentration of wealth, mainly in the literally top 1/10th of 1 percent of the population.

Meanwhile, for the general population it began an open period of pretty much stagnation, or decline for the majority. People got by through pretty artificial means -- like borrowing, so a lot of debt. Longer working hours for many. There was a period of stagnation and a higher concentration of wealth. The political system began to dissolve. Thereôs always been a gap between public policy and the public will, but it just grew kind of astronomically. You can see it right now, in fact.

Take a look at whatôs happening right now. The big topic in Washington that everyone concentrates on is the deficit. For the public, correctly, the deficit is not much of an issue. The issue is joblessness, not a deficit. Now thereôs a deficit commission but no joblessness commission. As far as the deficit is concerned, if you want to pay attention to it, the public has opinions. Take a look at the polls and the public overwhelmingly supports higher taxes on the wealthy, which have declined sharply during this stagnation period, this period of decline. The public wants higher taxes on the wealthy and to preserve the limited social benefits. The outcome of the deficit commission is probably going to be the opposite. Either theyôll reach an agreement, which will be the opposite of what the public wants, or else it will go into kind of an automatic procedure which is going to have those effects. Actually thatôs something thatôs going to happen very quickly. The deficit commission is going to come up with its decision in a couple of weeks. The Occupy movements could provide a mass base for trying to avert what amounts to a dagger in the heart of the country, and having negative effects.

Without going on with details, what's being played out for the last 30 years is actually a kind of a nightmare that was anticipated by the classical economists. If you take an Adam Smith, and bother to read Wealth of Nations, you see that he considered the possibility that the merchants and manufacturers in England might decide to do their business abroad, invest abroad and import from abroad. He said they would profit but England would be harmed. He went on to say that the merchants and manufacturers would prefer to operate in their own country, what's sometimes called a "home bias." So, as if by an invisible hand, England would be saved the ravage of what's called "neoliberal globalization."

Thatôs a pretty hard passage to miss. In his classic Wealth of Nations, thatôs the only occurrence of the phrase ñinvisible hand.ò Maybe England would be saved from neoliberal globalization by an invisible hand. The other great classical economist David Ricardo recognized the same thing and hoped it wouldnôt happen. Kind of a sentimental hope. It didnôt happen for a long time, but itôs happening now. Over the last 30 years thatôs exactly whatôs underway. For the general population -- the 99 percent in the imagery of the Occupy movement --itôs really harsh and it could get worse. This could be a period of irreversible decline. For the 1 percent, or furthermore 1/10th of 1 percent, itôs just fine. Theyôre at the top, richer and more powerful than ever in controlling the political system and disregarding the public, and if it can continue, then sure why not? This is just what Smith and Ricardo warned about.

So pick Citigroup, for decades one of the most corrupt of the major investment banking corporations. It was repeatedly bailed out by the taxpayer over and over again starting in the early Reagan years and now once again. I wonôt run through all the corruption. You probably know it, and itôs astonishing. A couple of years ago they came out with a brochure for investors. They urged investors to put their money in what they call the ñplutonomy index.ò The world is dividing into a plutonomy, the rich and so on. Thatôs where the action is. They said their plutonomy index is way outperforming the stock market, so put your money into it. And as for the rest? We set them adrift. We donôt really care about them and we donôt need them. They have to be around to provide a powerful state to protect us and bail us out when we get into trouble, but they essentially have no function. Itôs sometimes called these days the ñprecariat,ò people who live a precarious existence at the periphery of society. Itôs not the periphery anymore; itôs becoming a very substantial part of the society in the United States and indeed elsewhere.

This is considered a good thing. For example, when Alan Greenspan was still ñSt. Alan,ò hailed by the economics profession as one of the greatest economists of all time (this is before the crash for

which he is substantially responsible for), he was testifying to Congress in the Clinton years explaining the wonders of the great economy. He said much of this economy was based on what he called ñgrowing worker insecurity.ò If working people are insecure, if theyôre ñprecariatò and living precarious existences, then theyôre not going to make demands, they wonôt make wages, they wonôt get benefits and we can kick them out if we donôt like them, and thatôs good for the health of the economy. Thatôs whatôs called a healthy economy technically and he was highly praised for this.

Well, now the world is indeed splitting into a plutonomy and a precariat, again in the imagery of the Occupy movement, the 1 percent and the 99 percent. The plutonomy is where the action is. It could continue like this, and if it does, then this historic reversal that began in the 1970s could become irreversible. Thatôs where weôre heading. The Occupy movements are the first major popular reaction which could avert this. Itôs going to be necessary to face the fact that itôs a long hard struggle. You donôt win victories tomorrow. You have to go on and form structures that will be sustained through hard times and can win major victories. There are a lot of things that can be done.

I mentioned before that in the 1930s one of the most effective actions was a sit-down strike. The reason was very simple: itôs just a step below a takeover of the industry. Through the '70s, as the decline was setting in, there were some very important events that took place. One was in the late '70s. In 1977, US Steel decided to close one of its major facilities, Youngstown, Ohio, and instead of just walking away, the workforce and the community decided to get together and buy it from US Steel and hand it over to the workforce to run and turn it into a worker-owned, worker-managed facility. They didnôt win, but with enough popular support they could have won. It was a partial victory because even though they lost it set off other efforts now throughout Ohio and other places.

Thereôs a scattering of hundreds, maybe thousands, of not-so-small worker owned or partially worker-owned industries which could become worker-managed. Thatôs the basis for a real revolution. Thatôs how it takes place. Itôs happening here, too. In one of the suburbs of Boston something similar happened. A multi-national decided to shut down a productive, functioning and profitable manufacturing company because it was not profitable enough for them. The workforce and union offered to buy it and take it over and run it themselves, but the multi-national decided to close it down instead probably for reasons of class consciousness. I think they want things like this to happen. If there had been enough popular support, if there had been something like this movement that could have gotten involved, they might have succeeded.

There are other things going on like that. In fact, some of them were major. Not long ago, Obama took over the auto industry. Itôs basically owned by the public. There were a number of things that could have been done. One was what was done. It could be reconstituted so it could be handed back to the ownership, or very similar ownership and continue on its traditional path. The other possibility was they could have handed it over to the workforce and turned it into worker-owned, worker-managed major industrial system thatôs a major part of the economy and have it produce things that people need. And thereôs a lot that we need. We all know or should know that the US is extremely backward globally in high-speed transportation. Thatôs very serious. It affects peopleôs lives and it affects the economy. Itôs a very serious business.

I have a personal story. I happened to be giving talks in France a couple months ago and ended up in southern France and had to take a train from Avignon in southern France to the airport in Paris and it took two hours. Thatôs the same distance as Washington to Boston. Itôs a scandal. It could be done; we have the capacity to do it, like a skilled workforce. It would have taken a little popular support. That could have been a major change in the economy. Just to make it more surreal, while this option was being avoided, the Obama administration was sending its transportation secretary to Spain to get contracts for developing high-speed rails for the United States. This could have been done right in the Rust Belt, which is being closed down. Thereôs no economic reason this canôt happen. These are class reasons and the lack of political mobilization.

There are very dangerous developments in the international arena, including two of them which are kind of a shadow that hangs over almost everything we discuss. There are, for the first time to human history, real threats to peace and survival of the species. One has been hanging around since 1945 and itôs kind of a miracle weôve escaped it and thatôs the threat of nuclear weapons. Thatôs a threat thatôs being escalated by the administration and its allies. Something has to be done about that or weôre in real trouble. The other, of course, is environmental catastrophe. Every country in the world is taking at least halting steps toward trying to do something about it. The US is also taking steps, namely to accelerate the threat. The US is now the only country thatôs not only not doing something constructiveé itôs not climbing on the train. Itôs pulling it backwards.

Congress is right now reversing legislation instituted

by the Nixon administration. (Nixon was really the last liberal president of the United States, and literally, this shows you whatôs been going on!) Theyôre dismantling the limited measures the Nixon administration took to try to do something about whatôs a growing and emerging catastrophe. This is connected with a huge propaganda system, perfectly openly declared by the business world, that itôs all just a liberal hoax. Why pay attention to these scientists? Weôre really regressing back to the Medieval period. Itôs not a joke. If thatôs happening to the most powerful and richest country in history then this crisis is not going to be averted and all of this weôre talking about wonôt matter in a generation or two. All of thatôs going on right now and something has to be done about it very soon and in a dedicated and sustained way. Itôs not going to be easy to succeed. There are going to be barriers, hardships and failures along the way. Unless the process thatôs taking place here and around the world, unless that continues to grow and kind of becomes a major social force in the world, the chances for a decent future are not very high.

Q&A

Q: What about corporate personhood and getting the money out of that stream of politics?

A: These are very good things to do, but you canôt do any of these things or anything else unless thereôs a very large and active base. If the Occupy movement was the leading force in the country then you could move it forward. Most people donôt know that this is happening or they may know about it and not know what it is. Among those who do know, the polls show thereôs a lot of support. But that assigns a task. Itôs necessary to get out into the country and get people to understand what this is about and what they can do about and what the consequences are of not doing anything about it.

Corporate personhood is a good point, but pay attention to what it is. Weôre supposed to worship the Constitution these days, but the 5th Amendment of the Constitution says no person shall be deprived of rights without due process of law. The founding fathers didnôt mean ñpersonò when they said ñperson.ò For example there were a lot of creatures of flesh and blood who were not persons. The entire indigenous population was not considered persons. They didnôt have any rights. There was a category of creatures called 3/5 human -- they werenôt persons and didnôt have rights. Women were not entirely persons, so they didnôt have full rights. A lot of this was somewhat rectified over the years. During the Civil War, the 14th amendment raised the 3/5 to full humans at least in principle, but that was only in principle.

Now over the following years the concept of person was changed by the courts in two ways. One way was to broaden it to include corporations, legal fictions established by the courts and the state. These ñpersonsò later became the management of corporations; the management of corporations became ñpersons.ò Of course, thatôs not what the 14th amendment says. Itôs also narrowed to undocumented workers. They had to be excluded from the category of persons. Thatôs happening right now. So legislation like this goes two ways. They defined persons to include corporate persons, which by now have rights beyond human beings, given by the trade agreements and others. They exclude people who flee from Central America where the US devastated their homelands, flee from Mexico because they canôt compete with the USôs highly subsidized agro-business. When NAFTA was passed in 1994, the Clinton administration understood pretty well that it was going to devastate the Mexican economy, so they started militarizing the border. So weôre seeing the consequences. So these people have to be excluded from the category of persons.

So when you talk about personhood, thatôs right, but thereôs more than one aspect to it. It ought to be pushed forward and it ought to be understood, but that requires a mass base. It requires that the population understands this and is committed to it. Itôs easy to think of a lot of things that should be done, but they all have a prerequisite ï namely a mass popular base thatôs there thatôs committed to implementing them.

Q: What about the ruling class in America? How likely is it that they'll have an open fascist system here?

A: I think itôs very unlikely frankly. They donôt have the force. About a century ago, in the freest countries in the world, Britain and the United Sates at the time, the dominant classes came to understand that they canôt control the population by force any longer. Too much freedom had been won by struggles like these, and they realized it. Itôs discussed in their literature. They recognize that theyôre going to have to shift their tactics to control of attitudes and beliefs instead of just the cudgel. It canôt do what it used to do. You have to control attitudes and beliefs. In fact thatôs when the public relations industry began. It began in the United States and England. The free countries where you had to control beliefs and attitudes, to induce consumerism, to induce passivity, apathy and distraction. Itôs a barrier, but itôs a lot easier to overcome than torture and the Gestapo. I donôt think the circumstances are any longer there to institute anything like what we call fascism.

Q: You mentioned earlier that sit-down protests are just a precursor to a takeover of industry. Would you advocate a general strike as a tactic moving forward? Would you ever if asked allow for your voice to relay the democratically chosen will of our nation?

A: You donôt want leaders; you want to do it yourself. We need representation and you should pick it yourselves. It should be recallable representation.

The question of a general strike is like the others. You can think of it as a possible idea at a time when the population is ready for it. We canôt sit here and declare a general strike, obviously. There has to be approval and a willingness to take the risks on the part of a large mass of the population. That takes organization, education and activism. Education doesnôt just mean telling people what to believe. It means learning yourself. Thereôs a Karl Marx quote: ñThe task is not just to understand the world but to change it.ò Thereôs a variant of that which should be kept in mind, ñIf you want to change the world in a certain direction you better try to understand it first.ò

Understanding it doesnôt mean listening to a talk or reading a book, though that is helpful. It comes through learning. Learning comes from participation. You learn from others. You learn from the people youôre trying to organize. You have to gain the experience and understanding which will make it possible to maybe implement ideas as a tactic. Thereôs a long way to go. This doesnôt happen by the flick of a wrist. It happens from a long, dedicated work. I think in many ways the most exciting aspect of the Occupy movements is just the construction of these associations and bonds that are taking place all over. Out of that if they can be sustained can come expansion to a large part of the population that doesnôt know whatôs going on. If that can happen, then you can raise questions about tactics like this, which could very well at some point be appropriate.

(Courtesy: countercurrents.org)

The Money Masters: Behind the Global Debt Crisis

By: Adrian Salbuchi

In the US, we see untold millions suffering from the impact of mass foreclosures and unemployment; in Greece, Spain, Portugal, Ireland, and Italy, stringent austerity measures are imposed upon the whole population; all coupled with major banking collapses in Iceland, the UK and the US, and indecent bail-outs of ñtoo-big-to-failò bankers (Newspeak for too powerful to fail).

No doubt, the bulk of the responsibility for these debacles falls squarely on the shoulders of caretaker governments in these countries that are subordinated to Money Power interests and objectives. In country after country, that comes together with embedded corruption, particularly evident today in the UK, Italy and the US.

As we assess some of the key components of todayôs Global Financial, Currency and Banking Model in this article, readers will hopefully get a better understanding as to why we are all in such a crisis, and that it will tend to get much worse in the months and years to come.

Foundations of a Failed and False Model

Hiding behind the mask of false ñlawsò allegedly governing ñglobalised markets and economies,ò this Financial Model has allowed a small group of people to amass and wield huge and overwhelming power over markets, corporations, industries, governments and the global media. The irresponsible and criminal consequences of their actions are now clear for all to see.

The ñModelò we will briefly describe, falls within the framework of a much vaster Global Power System that is grossly unjust and was conceived and designed from the lofty heights of private geopolitical and geo-economic planning centres that function to promote the Global Power Eliteôs agenda as they prepare their ñNew World Orderò again.

Specifically, we are talking about key think tanks like the Council on Foreign Relations, the Trilateral Commission, the Bilderberg Group, and other similar entities such as the Cato Institute (Monetary Issues), American Enterprise Institute and the Project for a New American Century that conform an intricate, solid, tight and very powerful network, engineering and managing New World Order interests, goals and objectives.

Writing from the stance of an Argentine citizen, I admit we have some ñadvantagesò over the citizens of industrialised countries as the US, UK, European Union, Japan or Australia, in that over the last few decades we have had direct experience of successive catastrophic national crises emanating from inflation, hyper-inflation, systemic banking collapse, currency revamps, sovereign debt bond mega-swaps, military coups and lost warsé

Finance vs the Economy

The Financial system (i.e., a basically unreal Virtual, symbolic and parasitic world), increasingly functions

in a direction that is contrary to the interest of the Real Economy (i.e., the Real and concrete world of work, production, manufacturing, creativity, toil, effort and sacrifice done by real people). Over the past decades, Finance and the Economy have gone their totally separate and antagonistic ways, and no longer function in a healthy and balanced relationship that prioritises the Common Good of We the People. This huge conflict between the two can be seen, amongst other places, in todayôs Financial and Economic System, whose main support lies in the Debt Paradigm, i.e., that nothing can be done unless you first have credit, financing and loans to do it. Thus, the Real Economy becomes dependent on and distorted by the objectives, interests and fluctuations of Virtual Finance.

Debt-Based System

The Real Economy should be financed with genuine funds; however with time, the Global Banking Elite succeeded in getting one Sovereign Nation-State after another to give up its inalienable function of supplying the correct quantity of National Currency as the primary financial instrument to finance the Real Economy. That requires decided action through Policies centred on promoting the Common Good of We The People in each country, and securing the National Interest against the perils posed by internal and external adversaries.

Thus, we can better understand why the financial ñlawò that requires central banks to always be totally ñindependentò of Government and the State has become a veritable dogma. This is just another way of ensuring that central banking should always be fully subordinated to the interests of the private banking over-world ï both locally in each country, as well as globally.

We find this to prevail in all countries: Argentina, Brazil, Japan, Mexico, the European Union and in just about every other country that adopts so-called ñWesternò financial practice. Perhaps the best (or rather, the worst) example of this is the United States where the Federal Reserve System is a privately controlled institution outright, with around 97% of its shares being owned by the member banks themselves (admittedly, it does have a very special stock scheme), even though the bankers running ñFedò do everything they can to make it appear as if it is a ñpublicò entity operated by Government, something that it is definitely not.

One of the Global Banking Over-worldôs permanent goals is ï and has been ï to maintain full control over all central banks in just about every country, in order to be able to control their public currencies. This, in turn, allows them to impose a fundamental (for them) condition whereby there is never the right quantity of public currency to satisfy the true demand and needs of the Real Economy. That is when those very same private banks that control central banking come on scene to ñsatisfy the demand for moneyò of the Real Economy by artificially generating private bank money out of nothing. They call it ñcredits and loansò and offer to supply it to the Real Economy, but with an ñadded valueò (for them): (a) they will charge interest for them (often at usury levels) and, (b) they will create most of that private bank money out of thin air through the fractional lending system.

At a Geo-economic level, this has also served to generate huge and unnecessary public sovereign debts in country after country all over the world. Argentina is a good example, whose Caretaker Governments are systematically ignorant and unwilling to use one of the sovereign stateôs key powers: the issuance ofhigh power non-interest generating Public Money (see below for a more detailed definition). Instead, Argentina has allowed IMF (International Monetary Fund) so-called ñrecipesò that reflect the global banking cartelôs own interests to be imposed upon it in fundamental matters like what are the proper functions of its Central Bank, sovereign debt, fiscal policy, and other monetary, banking and financial mechanisms, that are thus systematically used against the Common Good of the Argentine People andagainst the National Interest of the country.

This system and its dreadful results, now and in the past, are so similar in so many other countries ï Brazil, Mexico, Greece, Ireland, Iceland, UK, Portugal, Spain, Italy, Indonesia, Hungary, Russia, Ukraineé that it can only reflect a well thought-out and engineered plan, emanating from the highest planning echelons of the Global Power Elite.

Fractional Bank Lending

This banking concept is in use throughout the worldôs financial markets, and allows private banks to generate ñvirtualò Money out of thin air (i.e., scriptural annotations and electronic entries into current and savings accounts, and a vast array of lines of credit), in a ratio that is 8, 10, 30, 50 times or more largerthan the actual amount of cash (i.e., public money) held by the bank in its vaults. In exchange for lending this private ñmoneyò created out of nothing, bankers collect interest, demand collateral with intrinsic value and if the debtor defaults they can then foreclose on their property or other assets.

The ratio that exists between the amount of Dollars or Pesos in its vaults and the amount of credit private banks generate is determined by the central banking

authority which fixes the fractional lending leverage level (which is why controlling the central bank is so vital strategically for private banker cartels). This leverage level is a statistical reserve based on actuarial calculations of the portion of account holders who in normal time go to their banks or ATM machines to withdraw their money in cash (i.e., in public money notes). The key factor here is that this works fine in ñnormalò times, however ñnormalò is basically acollective psychology concept intimately linked to what those account holders, and the population at large, perceive regarding the financial system in general and each bank in particular.

So, when for whatever reason, ñabnormalò times hit ï i.e., every time there are (subtly predictable) periodic crises, bank runs, collapses and panics, which seem to suddenly explode as happened in Argentina in 2001 and as is now happening in the US, UK, Ireland, Greece, Iceland, Portugal, Spain, Italy and a growing number of countries ï we see all bank account holders running to their banks to try to get their money out in cash. Thatôs when they discover that there is not enough cash in their banks to pay, save for a small fraction of account holders (usually insiders ñin the knowò or ñfriends of the bankersò).

For the rest of us mortals ñthere is no more money left,ò which means that they must resort to whatever public insurance scheme may or may not be in place (e.g., in the US, the state-owned Federal Deposit Insurance Corporation that ñinsuresò up to US$250,000 per account holder with taxpayer money). In countries like Argentina, however, there is no other option but to go out on the streets banging pots and pans against those ominous, solid and firmly closed bronze bank gates and doors. All thanks to the fraudulent fractional bank lending system.

Investment Banking

In the US, so called ñCommercial Banksò are those that have large portfolios of checking, savings and fixed deposit accounts for people and companies (e.g., such main street names as CitiBank, Bank of America, JPMorganChase, etc.; in Argentina, we have Standard Bank, BBVA, Galicia, HSBC and others). Commercial Banks operate with fractional lending leverage levels that allow them to lend out ñvirtualò dollars or pesos for amounts equal to 6, 8 or 10 times the cash actually held in their vaults; these banks are usually more closely supervised by the local monetary authorities of the country.

A different story, however, we had in the US (and still have elsewhere) with so-called global ñInvestment Banksò (those that make the mega-loans to corporations, major clients and sovereign states), over which there is much less control, so that their leveraging fractional lending ratios are far, far higher. This greater flexibility is what allowed investment banks in the US to ñmake loansò by, for example, creating out of thin air 26 ñvirtualò Dollars for every real Dollar in cash they held in their vaults (i.e., Goldman Sachs), or 30 virtual Dollars (Morgan Stanley), or more than 60 virtual Dollars (Merrill Lynch until just before it folded on 15 Sept 2008), or more than 100 virtual Dollars in the cases of collapsed banks Bear Stearns and Lehman Brothers.

Private Money vs Public Money

At this point in our review, it is essential to very clearly distinguish between two types of Money or Currency:

Private Money ï This is ñVirtualò Money created out of thin air by the private banking system. It generates interests on loans, which increases the amount of Private money in (electronic) circulation, and spreads and expands throughout the entire economy. We then perceive this as ñinflation.ò In actual fact, the main cause of inflation in the economy is structural to the interest-bearing fractional lending banking system,even among industrialised countries. The cause of inflation nowadays is not so much the excessive issuance of Public Money by Government as all so-called banking experts would have us believe but, rather, the combined effect of fractional lending and interest on private banking money.

Public Money ï This is the only Real Money there is. It is the actual notes issued by the national currency entity holding a monopoly (i.e., the central bank or some such government agency) and, as Public Money, it does not generate interest, and should not be created by anyone other than the State. Anybody else doing this is a counterfeiter and should end up in jail because counterfeiting Public Money is equivalent to robbing the Real Economy (i.e., ñwe, the working peopleò) of their work, toil and production capabilities without contributing anything in return in terms of socially productive work. The same should apply to private bankers under the present fractional lending system: counterfeiting money (i.e., creating it out of thin air as a ledger entry or electronic blip on a computer screen) is equivalent to robbing the Real Economy of its work and production capacity without contributing any counter-value in terms of work.

Why We Have Financial Crises

A fundamental concept that lies at the very heart of the present Financial Model can be found in the wayhuge parasitic profits on the one hand, and catastrophic systemic losses on the other, are effectively transferred to specific sectors of the economy, throughout the entire system, beyond borders

and public control.

As with all models, the one we suffer today has its own internal logic which, once properly understood, makes that model predictable. The people who designed it know full well that it is governed by grand cycles having specific expansion and contraction stages, and specific timelines. Thus, they can ensure that in bull market times of growth and gigantic profits (i.e., whilst the system, grows and grows, is relatively stable and generates tons of money out of nothing), all profits are privatised making them flow towards specific institutions, economic sectors, shareholders, speculators, CEO and top management & trader bonuses, ñinvestorsò, etc who operate the gears and maintain the whole system properly tuned and working.

However, they also know that ï like all roller coaster rides ï when you reach the very top, the system turns into a bear market that destabilises, spins out of control, contracts and irremediably collapses, as happened to Argentina in 2001 and to the better part of the world since 2008, then all losses are socialised by making Governments absorb them through the most varied transference mechanisms that dump these huge losses onto the population at large (whether in the form of generalised inflation, catastrophic hyperinflation, banking collapses, bail-outs, tax hikes, debt defaults, forced nationalisations, extreme austerity measures, etc).

The Four-sided Global "Ponzi" Pyramid Scheme

As we know, all good pyramids have four sides, and since the Global Financial System is based on a ñPonziò Pyramid Scheme, thereôs no reason why this particular pyramid should not have four sides as well.

Below is a summary of the Four-side Global ñPonziò Pyramid Scheme that lies at the core of todayôs Financial Model, indicating how these four ñsidesò function in a coordinated, consistent, and sequential manner.

Side One – Create Public Money Insufficiency. This is achieved, as we explained above, by controlling the National Public entity that issues public money. Its goal is to demonetise the Real Economy so that the latter is forced to seek ñalternative fundingò for its needs (i.e., so that it has no choice but to resort to private bank loans).

Side Two – Impose Private Banking Fractional Lending Loans. This, as we said, is virtual private money created out of thin air on which bankers charge interest ï often at usury levels ï thus generating enormous profit for ñinvestors,ò creditors and all sorts of entities and individuals who operate as parasites living off other peopleôs work. This would never have been the case if each local central bank were to flexibly generate the correct quantity of Public Money necessary to satisfy the needs of the Real Economy in each country and region.

Side Three – Promote a Debt-Based Economic System. In fact, the whole Pyramid Model is based on being able to promote this generalised paradigm that falsely states that what really ñmovesò the private and public economy is not so much work, creativity, toil and effort of workers, but rather ñprivate investors,ò ñbank loansò and ñcreditò ï i.e., indebtedness. With time, this paradigm has replaced the infinitely wiser, sounder, more balanced and solid concept of corporate profit being reinvested and genuine personal savings being the foundation for future prosperity and security. Pretty much the way Henry Ford, Sr. originally grew his most successful company.

Today, however, Debt reigns supreme and this paradigm has become entrenched and embedded into peopleôs minds thanks to the mainstream media and specialised journals and publications, combined with Ivy League universitiesôEconomics Departments that have all succeeded in imposing such ñpolitically correctò thinking with respect to financial matters, especially those relating to the proper nature and function of Public Money.

The facts are that this Model generates unnecessary loans so that banking creditors can receive huge profits, which includes promoting uncontrolled, unwarranted and often pathological consumerism, which goes hand in hand with the increasing abandonment of the traditional value of ñsaving for a rainy day.ò

Such debts having political and strategic goals rather than merely financial ones, are usually given a thin layer of ñlegalityò so that they may be imposed by the creditor on the debtor (i.e., in the case of The Merchant of Venice, the bond entered into between Antonio and Shylock giving the latter the legal right to a pound of the formerôs flesh; in the case of chronically indebted countries like Argentina, such ñlegalityò is achieved through a complex public debt laundering6 mechanism carried out by successive formally ñdemocraticò Caretaker Governments to this very day).

Side Four – Privatisation of Profits/Socialisation of Losses. Lastly, and knowing full well that, in the long run, the numbers of the entire Cycle of this Model never add up, and that the whole system will inevitably come crashing down, the Model imposes a highly complex and often subtle financial, legal and media engineering that allows privatising profits and socialising losses. In Argentina, this cycle has become

increasingly visible for those who want to see it, because in our country the local ñPonziò Pyramid Cycle lasts on average 15 to 17 years, i.e., weôve had successive collapses involving brutal devaluation (1975), hyperinflation (1989) and systemic banking collapse (2001), however in the industrialised world, that cycle was made to last almost 80 years (i.e., three generations spanning from 1929 to 2008).

Conclusions

The fundamental cause of todayôs on-going global financial collapse that exerts massive distortions over the Real Economy ï and the ensuing social hardship, suffering and violence ï is clear: Virtual Finance has usurped a pedestal of supremacy over the Real Economy, which does not legitimately belong to it.Finance must always be subordinated to, and in the service of, the Real Economy just as the Economy must heed the law and social needs of the Political Model executed by a Sovereign Nation-State (as we back-engineer this entire system, we thus understand why it is necessary for the Global Power Elite to first erode the sovereign Nation-State and to eventually do away with it altogether, in order to achieve its monetary, financial and political ends).

In fact, if we look at matters in their proper perspective, we will see that most national economies are pretty much intact, in spite of having been badly bruised by the financial collapse. It is Finance that is in the midst of a massive global collapse, as this Model of ñPonziò Finance has grown into a sort of malignant ñcancerous tumourò that has now ñmetastasised,ò threatening to kill the whole economy and social body politic, in just about every country in the world, and certainly in the industrialised countries.

The above comparison of todayôs financial system with a malignant tumour is more than a mere metaphor. If we look at the figures, we will immediately be able to see signs of this financial ñmetastasis.ò For example, The New York Times in their 22 September 2008 edition explains that the main trigger of the financial collapse that had exploded just one week earlier on 15 September was, as we all know, mismanagement and lack of supervision over the ñDerivativesò market. The Times then went on to explain that twenty years earlier, in 1988, there was no derivatives market; by 2002 however, Derivatives had grown into a global 102 trillion Dollar market (thatôs 50% more than the Gross Domestic Product of all the countries in the world, the US, EU, Japan and BRICS nations included), and by September 2008, Derivatives had ballooned into a global 531 trillion Dollar market. Thatôs eight times the GDP of the entire planet! ñFinancial Metastasisò at its very worst. Since then, some have estimated this Derivatives global market figure to be in the region of One-Quadrillion Dollarsé

Naturally, when that collapse began, the caretaker governments in the US, European Union and elsewhere, immediately sprang into action and implemented ñOperation Bail-outò of all the mega-banks, insurance companies, stock exchanges and speculation markets, and their respective operators, controllers and ñfriends.ò Thus, trillions upon trillions of Dollars, Euros and Pounds were given to Goldman Sachs, Citicorp, Morgan Stanley, AIG, HSBC and other ñtoo big to failò financial institutionsé which is newspeak for ñtoo powerful to failò, because they hold politicians, political parties and governments in their steel grip.

All of this was paid with taxpayer dollars or, even worse, with uncontrolled and irresponsible issuance of Public Money bank notes and treasury bonds, especially by the Federal Reserve Bank which has, in practice, technically hyper-inflated the US Dollar: ñQuantitative Easingò they call it, which is Newspeak forhyperinflation.

So far, however, like the proverbial Naked Emperor, nobody dares to state this openly. At least not until some ñuncontrolledò event triggers or unmasks what should by now be obvious to all: Emperor Dollar is totally and completely naked.7 When that happens, we will then see bloody social and civil wars throughout the world and not just in Greece and Argentina.

By then, however, and as always happens, the powerful bankster clique and their well-paid financial and media operators, will be watching the whole hellish spectacle perched in the safety and comfort of their plush boardrooms atop the skyscrapers of New York, London, Frankfurt, Buenos Aires and Sao Pauloé

(Courtesy: Global Research)

America and Europe: Saving the Rich and Losing the Economy

By Dr. Paul Craig Roberts

Economic policy in the United States and Europe has failed, and people are suffering.

Economic policy failed for three reasons: (1) policymakers focused on enabling offshoring corporations to move middle class jobs, and the consumer demand, tax base, GDP, and careers associated with the jobs, to foreign countries, such as China and India, where labor is inexpensive; (2) policymakers permitted financial deregulation that unleashed fraud and debt leverage on a scale previously unimaginable; (3) policymakers responded to the resulting financial crisis by imposing austerity on the population and running the printing press in order to bail out banks and prevent any losses to the banks regardless of the cost to national economies and innocent parties.

Jobs offshoring was made possible because the collapse of the Soviet Union resulted in China and India opening their vast excess supplies of labor to Western exploitation. Pressed by Wall Street for higher profits, US corporations relocated their factories abroad. Foreign labor working with Western capital, technology, and business know-how is just as productive as US labor. However, the excess supplies of labor (and lower living standards) mean that Indian and Chinese labor can be hired for less than laborôs contribution to the value of output. The difference flows into profits, resulting in capital gains for shareholders and performance bonuses for executives.

As reported by Manufacturing and Technology News (September 20, 2011) the Quarterly Census of Employment and Wages reports that in the last 10 years, the US lost 54,621 factories, and manufacturing employment fell by 5 million employees. Over the decade, the number of larger factories (those employing 1,000 or more employees) declined by 40 percent. US factories employing 500-1,000 workers declined by 44 percent; those employing between 250-500 workers declined by 37 percent, and those employing between 100-250 workers shrunk by 30 percent. http://www.manufacturingnews.com/

These losses are net of new start-ups. Not all the losses are due to offshoring. Some are the result of business failures.

US politicians, such as Buddy Roemer, blame the collapse of US manufacturing on Chinese competition and ñunfair trade practices.ò However, it is US corporations that move their factories abroad, thus replacing domestic production with imports. Half of US imports from China consist of the offshored production of US corporations.

The wage differential is substantial. According to the Bureau of Labor Statistics, as of 2009, average hourly take-home pay for US workers was $23.03. Social insurance expenditures add $7.90 to hourly compensation and benefits paid by employers add $2.60 per hour for a total labor compensation cost of $33.53.

In China as of 2008, total hourly labor cost was $1.36, and Indiaôs is within a few cents of this amount. Thus, a corporation that moves 1,000 jobs to China saves $32,000 every hour in labor cost.These savings translate into higher stock prices and executive compensation, not in lower prices for consumers who are left unemployed by the labor arbitrage.

Republican economists blame ñhighò US wages for for the current high rate of unemployment. However, US wages are about the lowest in the developed world. They are far below hourly labor cost in Norway ($53.89), Denmark ($49.56), Belgium ($49.40), Austria ($48.04), and Germany ($46.52). The US might have the worldôs largest economy, but its hourly workers rank 14th on the list of the best paid. Americans also have a higher unemployment rate. The ñheadlineò rate that the media hypes is 9.1 percent, but this rate does not include any discouraged workers or workers forced into part-time jobs because no full-time jobs are available.

The US government has another unemployment rate (U6) that includes workers who have been too discouraged to seek a job for six months or less. This unemployment rate is over 16 percent. Statistician John Williams (Shadowstats.com) estimates the unemployment rate when long-term discouraged workers (more than six months) are included. This rate is over 22 percent.

Most emphasis is on the lost manufacturing jobs. However, the high speed Internet has made it possible to offshore many professional service jobs, such as software engineering, Information Technology, research and design. Jobs that comprised ladders of upward mobility for US college graduates have been moved offshore, thus reducing the value to Americans of many university degrees. Unlike former times, today an increasing number of graduates return home to live with their parents as there are insufficient jobs to support their independent existence.

All the while, the US government allows in each year one million legal immigrants, an unknown number of illegal immigrants, and a large number of foreign workers on H-1B and L-1 work visas. In other words, the policies of the US government maximize the unemployment rate of American citizens.

Republican economists and politicians pretend that this is not the case and that unemployed Americans consist of people too lazy to work who game the welfare system. Republicans pretend that cutting unemployment benefits and social assistance will force ñlazy people who are living off the taxpayersò to go to work.

To deal with the adverse impact on the economy from the loss of jobs and consumer demand from offshoring, Federal Reserve chairman Alan Greenspan lowered interest rates in order to create a real estate boom. Lower interest rates pushed up real estate prices. People refinanced their houses and spent the equity. Construction, furniture and appliance sales boomed. But unlike previous expansions based on rising real income, this one was based on an increase in consumer indebtedness.

There is a limit to how much debt can increase in relation to income, and when this limit was reached, the bubble popped.

When consumer debt could rise no further, the large fraudulent component in mortgage-backed derivatives and the unreserved swaps (AIG, for example) threatened financial institutions with insolvency and froze the banking system. Banks no longer trusted one another. Cash was hoarded. Treasury Secretary Paulson, browbeat Congress into massive taxpayer loans to financial institutions that functioned as casinos. The Paulson Bailout (TARP) was large but insignificant compared to the $16.1 trillion (a sum larger than US GDP or national debt) that the Federal Reserve lent to private financial institutions in the US and Europe.

In making these loans, the Federal Reserve violated its own rules. At this point, capitalism ceased to function. The financial institutions were ñtoo big to fail,ò and thus taxpayer subsidies took the place of bankruptcy and reorganization. In a word, the US financial system was socialized as the losses of the American financial institutions were transferred to taxpayers.

European banks were swept up into the financial crisis by their unwitting purchase of the junk financial instruments marketed by Wall Street. The financial junk had been given investment grade rating by the same incompetent agency that recently downgraded US Treasury bonds.

The Europeans had their own bailouts, often with American money (Federal Reserve loans). All the while Europe was brewing an additional crisis of its own. By joining the European Union and (except for the UK) accepting a common European currency, the individual member countries lost the services of their own central banks as creditors. In the US and UK the two countriesô central banks can print money with which to purchase US and UK debt. This is not possible for member countries in the EU.

When financial crisis from excessive debt hit the PIIGS (Portugal, Ireland, Italy, Greece, and Spain) their central banks could not print euros in order to buy up their bonds, as the Federal Reserve did with ñquantitative easing.ò Only the European Central Bank (ECB) can create euros, and it is prevented by charter and treaty from printing euros in order to bail out sovereign debt.

In Europe, as in the US, the driver of economic policy quickly became saving the private banks from losses on their portfolios. A deal was struck with the socialist government of Greece, which represented the banks and not the Greek people. The ECB would violate its charter and together with the IMF, which would also violate its charter, would lend enough money to the Greek government to avoid default on its sovereign bonds to the private banks that had purchased the bonds. In return for the ECB and IMF loans and in order to raise the money to repay them, the Greek government had to agree to sell to private investors the national lottery, Greeceôs ports and municipal water systems, a string of islands that are a national preserve, and in addition to impose a brutal austerity on the Greek people by lowering wages, cutting social benefits and pensions, raising taxes, and laying off or firing government workers.

In other words, the Greek population is to be sacrificed to a small handful of foreign banks in Germany, France and the Netherlands.

The Greek people, unlike ñtheirò socialist government, did not regard this as a good deal. They have been in the streets ever since.

Jean-Claude Trichet, head of the ECB, said that the austerity imposed on Greece was a first step. If Greece did not deliver on the deal, the next step was for the EU to take over Greeceôs political sovereignty, make its budget, decide its taxation, decide its expenditures and from this process squeeze out enough from Greeks to repay the ECB and IMF for lending Greece the money to pay the private banks.

In other words, Europe under the EU and Jean-Claude Trichet is a return to the most extreme form of feudalism in which a handful of rich are pampered

at the expense of everyone else.

This is what economic policy in the West has become--a tool of the wealthy used to enrich themselves by spreading poverty among the rest of the population.

On September 21 the Federal Reserve announced a modified QE 3. The Federal Reserve announced that the bank would purchase $400 billion of long-term Treasury bonds over the next nine months in an effort to drive long-term US interest rates even further below the rate of inflation, thus maximizing the negative rate of return on the purchase of long-term Treasury bonds. The Federal Reserve officials say that this will lower mortgage rates by a few basis points and renew the housing market.

The officials say that QE 3, unlike its predecessors, will not result in the Federal Reserve printing more dollars in order to monetize US debt. Instead, the central bank will raise money for the bond purchases by selling holdings of short-term debt. Apparently, the Federal Reserve believes it can do this without raising short-term interest rates, because back during the recent debt-ceiling-government-shutdown-crisis, the Federal Reserve promised banks that it would keep the short-term interest rate (essentially zero) constant for two years.

The Fedôs new policy will do far more harm than good. Interest rates are already negative. To make them more so will have no positive effect. People arenôt buying houses because interest rates are too high, but because they are either unemployed or worried about their jobs and do not see a recovering economy.

Already insurance companies can make no money on their investments. Consequently, they are unable to build their reserves against claims. Their only alternative is to raise their premiums. The cost of a homeownerôs policy will go up by more than the cost of a mortgage will decline. The cost of health insurance will go up. The cost of car insurance will rise. The Federal Reserveôs newly announced policy will impose more costs on the economy than it will reduce.

In addition, in America today savings earn nothing. Indeed, they produce an ongoing loss as the interest rate is below the inflation rate. The Federal Reserve has interest rates so low that only professionals who are playing arbitrage with algorithm programmed computer models can make money. The typical saver and investor can get nothing on bank CDs, money market funds, municipal and government bonds. Only high risk debt, such as Greek and Spanish bonds, pay an interest rate that is higher than inflation.

For four years interest rates, when properly measured, have been negative. Americans are getting by, maintaining living standards, by consuming their capital. Even those with a cushion are eating their seed corn. The path that the US economy is on means that the number of Americans without resources to sustain them will be rising. Considering the extraordinary political incompetence of the Democratic Party, the right-wing of the Republican Party, which is committed to eliminating income support programs, could find itself in power. If the right-wing Republicans implement their program, the US will be beset with political and social instability. As Gerald Celente says, ñwhen people have have nothing left to lose, they lose it.ò

(Courtesy: Centre for Research on Globalisation)

Itôs no use pretending that what has obviously happened has not in fact happened. The upper 1 percent of Americans are now taking in nearly a quarter of the nationôs income every year. In terms of wealth rather than income, the top 1 percent control 40 percent. Their lot in life has improved considerably. Twenty-five years ago, the corresponding figures were 12 percent and 33 percent. One response might be to celebrate the ingenuity and drive that brought good fortune to these people, and to contend that a rising tide lifts all boats. That response would be misguided. While the top 1 percent have seen their incomes rise 18 percent over the past decade, those in the middle have actually seen their incomes fall. For men with only high-school degrees, the decline has been precipitousð 12 percent in the last quarter-century alone. All the growth in recent decadesð and moreð has gone to those at the top. In terms of income equality, America lags behind any country in the old, ossified Europe that President George W. Bush used to deride. Among our closest counterparts are Russia with its oligarchs and Iran. While many of the old centers of inequality in Latin America, such as Brazil, have been striving in recent years, rather successfully, to improve the plight of the poor and reduce gaps in income, America has allowed inequality to grow.

Economists long ago tried to justify the vast inequalities that seemed so troubling in the mid-19th centuryð inequalities that are but a pale shadow of what we are seeing in America today. The justification they came up with was called ñmarginal-productivity theory.ò In a nutshell, this theory associated higher incomes with higher productivity and a greater contribution to society. It is a theory that has always been cherished by the rich. Evidence for its validity, however, remains thin. The corporate executives who helped bring on the recession of the past three yearsð whose contribution to our society, and to their own companies, has been massively negativeð went on to receive large bonuses. In some cases, companies were so embarrassed about calling such rewards ñperformance bonusesò that they felt compelled to change the name to ñretention bonusesò (even if the only thing being retained was bad performance). Those who have contributed great positive innovations to our society, from the pioneers of genetic understanding to the pioneers of the Information Age, have received a pittance compared with those responsible for the financial innovations that brought our global economy to the brink of ruin.

Some people look at income inequality and shrug their shoulders. So what if this person gains and that person loses? What matters, they argue, is not how the pie is divided but the size of the pie. That argument is fundamentally wrong. An economy in which most citizens are doing worse year after yearð an economy like Americaôsð is not likely to do well over the long haul. There are several reasons for this.

First, growing inequality is the flip side of something else: shrinking opportunity. Whenever we diminish equality of opportunity, it means that we are not using some of our most valuable assetsð our peopleð in the most productive way possible. Second, many of the distortions that lead to inequalityð such as those associated with monopoly power and preferential tax treatment for special interestsð undermine the efficiency of the economy. This new inequality goes on to create new distortions, undermining efficiency even further. To give just one example, far too many of our most talented young people, seeing the astronomical rewards, have gone into finance rather than into fields that would lead to a more productive and healthy economy.

Third, and perhaps most important, a modern economy requires ñcollective actionòð it needs government to invest in infrastructure, education, and technology. The United States and the world have benefited greatly from government-sponsored research that led to the Internet, to advances in public health, and so on. But America has long suffered from an under-investment in infrastructure (look at the condition of our highways and bridges, our railroads and airports), in basic research, and in education at all levels. Further cutbacks in these areas lie ahead.

None of this should come as a surpriseð it is simply what happens when a societyôs wealth distribution becomes lopsided. The more divided a society becomes in terms of wealth, the more reluctant the wealthy become to spend money on common needs. The rich donôt need to rely on government for parks or education or medical care or personal securityð they can buy all these things for themselves. In the process, they become more distant from ordinary people, losing whatever empathy they may once have had. They also worry about strong governmentð one that could use its powers to adjust the balance, take some of their wealth, and invest it for the common good. The top 1 percent may complain about the kind of government we have in America, but in truth they like it just fine: too gridlocked to re-distribute, too divided to do anything but lower taxes.

Economists are not sure how to fully explain the growing inequality in America. The ordinary dynamics

of supply and demand have certainly played a role: laborsaving technologies have reduced the demand for many ñgoodò middle-class, blue-collar jobs. Globalization has created a worldwide marketplace, pitting expensive unskilled workers in America against cheap unskilled workers overseas. Social changes have also played a roleð for instance, the decline of unions, which once represented a third of American workers and now represent about 12 percent.

But one big part of the reason we have so much inequality is that the top 1 percent want it that way. The most obvious example involves tax policy. Lowering tax rates on capital gains, which is how the rich receive a large portion of their income, has given the wealthiest Americans close to a free ride. Monopolies and near monopolies have always been a source of economic powerð from John D. Rockefeller at the beginning of the last century to Bill Gates at the end. Lax enforcement of anti-trust laws, especially during Republican administrations, has been a godsend to the top 1 percent. Much of todayôs inequality is due to manipulation of the financial system, enabled by changes in the rules that have been bought and paid for by the financial industry itselfð one of its best investments ever. The government lent money to financial institutions at close to 0 percent interest and provided generous bailouts on favorable terms when all else failed. Regulators turned a blind eye to a lack of transparency and to conflicts of interest.

When you look at the sheer volume of wealth controlled by the top 1 percent in this country, itôs tempting to see our growing inequality as a quintessentially American achievementð we started way behind the pack, but now weôre doing inequality on a world-class level. And it looks as if weôll be building on this achievement for years to come, because what made it possible is self-reinforcing. Wealth begets power, which begets more wealth. During the savings-and-loan scandal of the 1980sð a scandal whose dimensions, by todayôs standards, seem almost quaintð the banker Charles Keating was asked by a congressional committee whether the $1.5 million he had spread among a few key elected officials could actually buy influence. ñI certainly hope so,ò he replied. The Supreme Court, in its recent Citizens United case, has enshrined the right of corporations to buy government, by removing limitations on campaign spending. The personal and the political are today in perfect alignment. Virtually all U.S. senators, and most of the representatives in the House, are members of the top 1 percent when they arrive, are kept in office by money from the top 1 percent, and know that if they serve the top 1 percent well they will be rewarded by the top 1 percent when they leave office. By and large, the key executive-branch policymakers on trade and economic policy also come from the top 1 percent. When pharmaceutical companies receive a trillion-dollar giftð through legislation prohibiting the government, the largest buyer of drugs, from bargaining over priceð it should not come as cause for wonder. It should not make jaws drop that a tax bill cannot emerge from Congress unless big tax cuts are put in place for the wealthy. Given the power of the top 1 percent, this is the way you would expect the system to work.

Americaôs inequality distorts our society in every conceivable way. There is, for one thing, a well-documented lifestyle effectð people outside the top 1 percent increasingly live beyond their means. Trickle-down economics may be a chimera, but trickle-down behaviorism is very real. Inequality massively distorts our foreign policy. The top 1 percent rarely serve in the militaryð the reality is that the ñall-volunteerò army does not pay enough to attract their sons and daughters, and patriotism goes only so far. Plus, the wealthiest class feels no pinch from higher taxes when the nation goes to war: borrowed money will pay for all that. Foreign policy, by definition, is about the balancing of national interests and national resources. With the top 1 percent in charge, and paying no price, the notion of balance and restraint goes out the window. There is no limit to the adventures we can undertake; corporations and contractors stand only to gain. The rules of economic globalization are likewise designed to benefit the rich: they encourage competition among countries forbusiness, which drives down taxes on corporations, weakens health and environmental protections, and undermines what used to be viewed as the ñcoreò labor rights, which include the right to collective bargaining. Imagine what the world might look like if the rules were designed instead to encourage competition among countries for workers. Governments would compete in providing economic security, low taxes on ordinary wage earners, good education, and a clean environmentð things workers care about. But the top 1 percent donôt need to care.

Or, more accurately, they think they donôt. Of all the costs imposed on our society by the top 1 percent, perhaps the greatest is this: the erosion of our sense of identity, in which fair play, equality of opportunity, and a sense of community are so important. America has long prided itself on being a fair society, where everyone has an equal chance of getting ahead, but the statistics suggest otherwise: the chances of a poor citizen, or even a middle-class citizen, making it to the top in America are smaller than in many countries of Europe. The cards are stacked against them. It is

this sense of an unjust system without opportunity that has given rise to the conflagrations in the Middle East: rising food prices and growing and persistent youth unemployment simply served as kindling. With youth unemployment in America at around 20 percent (and in some locations, and among some socio-demographic groups, at twice that); with one out of six Americans desiring a full-time job not able to get one; with one out of seven Americans on food stamps (and about the same number suffering from ñfood insecurityò)ð given all this, there is ample evidence that something has blocked the vaunted ñtrickling downò from the top 1 percent to everyone else. All of this is having the predictable effect of creating alienationð voter turnout among those in their 20s in the last election stood at 21 percent, comparable to the unemployment rate.

In recent weeks we have watched people taking to the streets by the millions to protest political, economic, and social conditions in the oppressive societies they inhabit. Governments have been toppled in Egypt and Tunisia. Protests have erupted in Libya, Yemen, and Bahrain. The ruling families elsewhere in the region look on nervously from their air-conditioned penthousesð will they be next? They are right to worry. These are societies where a minuscule fraction of the populationð less than 1 percentð controls the lionôs share of the wealth; where wealth is a main determinant of power; where entrenched corruption of one sort or another is a way of life; and where the wealthiest often stand actively in the way of policies that would improve life for people in general.

As we gaze out at the popular fervor in the streets, one question to ask ourselves is this: When will it come to America? In important ways, our own country has become like one of these distant, troubled places.

Alexis de Tocqueville once described what he saw as a chief part of the peculiar genius of American societyð something he called ñself-interest properly understood.ò The last two words were the key. Everyone possesses self-interest in a narrow sense: I want whatôs good for me right now! Self-interest ñproperly understoodò is different. It means appreciating that paying attention to everyone elseôs self-interestð in other words, the common welfareð is in fact a precondition for oneôs own ultimate well-being. Tocqueville was not suggesting that there was anything noble or idealistic about this outlookð in fact, he was suggesting the opposite. It was a mark of American pragmatism. Those canny Americans understood a basic fact: looking out for the other guy isnôt just good for the soulð itôs good for business.

The top 1 percent have the best houses, the best educations, the best doctors, and the best lifestyles, but there is one thing that money doesnôt seem to have bought: an understanding that their fate is bound up with how the other 99 percent live. Throughout history, this is something that the top 1 percent eventually do learn. Too late.

(Courtesy: normanfinkelstein.com)

By: Peter Custers

The events were clearly a sequel to the crisis over the USôs public debt, and once again the need for introspection was all too obvious. On July the 21st, representatives of European governments agreed to a new package of loans to Greece, so as to pre-empt a default on Greeceôs obligations to its foreign creditors. The approval of the package did not signal a solution to Europeôs debt crisis, but signalled the failure of the first package for Greece agreed on last year. Europeôs financial market continued to slide, as they continued to be reigned by the fear that Greece wild ultimately default, and that a default will have a domino effect on other states considered óperipheralô to the European Union and to the Euro currency zone. Hence, by mid August, Europeôs two most powerful politicians, the French President Sarkozy and Germanyôs Chancellor Merkel, hastily got together for a bilateral summit. They launched fresh-sounding ideas, such as the view that economic policymaking should henceforth be coordinated in Europe and agreed that taxes should be levied on financial transactions. But these pronunciations were received with great scepticism. For days after the summit took place, share-prices on Europeôs financial markets continued tumbling. Some European banks saw their share prices fall by 30 or 40% in just two weeks! Clearly, the Western world is beset not by one, but two major debt crises. And the question that urgently needs to be answered is this: how come Europe seems incapable of solving its own crisis?

To answer this question it is useful to scrutinize the case of Greece, which country is considered Europeôs weakest link. When the world financial crisis erupted in 2008, most Western states resorted to lending massive amounts of money to save their tottering banks. Whereas previous to the crisis states belonging to the Euro zone were obliged to keep budgetary deficits within strict limits, - this rule was temporarily abandoned, and public debts of most European states grew apace. Thus, Germanyôs debt in 2010 reached a record level of ú 2 Trillion - up 18% from the previous year. It reportedly constituted 80% of the countryôs Gross Domestic Product (GDP). The public debt of Italy, which like Germany is considered a pillar of the European Union, stands at 120% of GDP. Hence, Greece is not by any means the only country in Europe which has failed to prevent a rise in the level of its debt. And yet the case of Greece is special. For as no other country in the Euro-zone it has become the target of ruthless speculation. Whereas Greeceôs public debt stands at a record 153% of GDP, the country is forced to pay interest rates to its lenders that are outright usurious. Hovering around 15%, Greeceôpayments over loans contracted with private lenders, such as French and German banks, is higher than the interest rate paid by any other state in the European Union. Some German economists argue that this is helpful since it forces Greece to put its house in order. But the interest rate primarily shows that Europeôs leading banks dominate over the Union and its members.

We may next note the extraordinary inefficiency of the disciplinary measures imposed on Greece. When the country first threatened to default on its repayment obligations in April of last year, - the EU and the International Monetary Fund (IMF) together devised an óaidô-package that included standard austerity measures, such as reductions in social spending and in wages of state employees, but also the obligation to sell-off ú56 Billion in state properties. Austerity measures and privatization of state-companies have, of course, been familiar conditionalities of the IMFôs óaidô-packages all through the era of neo-liberalism. But the unhealthy nature of the impositions has rarely been as quickly apparent as in the case of Greece. For whereas the EU and the IMF argue that the balancing of Greeceôs government budget is necessary in order to óget the economy goingô, i.e. to help Greece resume its growth, the opposite has been the case. Last year, the Greek economy reportedly faced a negative growth rate of no less that 6.9%! Even a child could tell the EU and the IMF that, if debts exceed the amount a debtor manages to produce in one year, and if the interest rate over the debtorôs debt, or over a major part of his debt, stands at 15%, he is unlikely to see his capital wealth growth. Instead it is likely he will sink further into the morass. Hence, the conditionalities imposed on Greece are not just deeply unjust. They bring the moment of Greeceôs default closer.

Before returning to a broader assessment of European policymaking, we should briefly note the fierceness of Greek resistance against the governmentôs austerities. The measures being imposed in the wake of the 2008 financial crisis have evoked protests all over Europe. There were massive strike struggles by workers in France last October; Spain has seen the emergence of a new youth movement, the óindignadosô, earlier this year; and England, well before violent riots of the unemployed youth erupted in London last month, had seen the emergence of a militant anti-austerity movement. In December of 2010 of instance, British students revolted against the reduction in educational budgets and against increases in university admission fees by Cameronôs government. And numerous groups have staged direct actions against tax evasions by corporations, such as Vodafone. But it is in Greece where the anti-austerity protests have unequivocally taken the form of civil disobedience. On the one hand, the countryôs leading trade unions have staged general strikes, - both when the first international plan against

a default was adopted last year, and earlier this year,. On the other hand, a reported 50% of Greeceôs population supports whatôs called the óWe Wonôt Payô offensive. This notably has taken the form of peopleôs refusals to pay for road-tolls, - a system widely considered as highly corrupt. People in Greeceôs capital Athens also refuse to pay for the cityôs metro tickets, and in the countryôs second largest city, Thessaloniki, people have been running a bus-fair boycott. Both the struggles against privatizations and the road-toll protests have put Greeceôs parliament and government on the defensive.

Thus, Europe witnesses a growing gap between policymakers and the under-privileged forced to bear the brunt of the crisis. The world financial crisis of 2008 has laid bare the need to tame the power of the financial sector, and the need for enhanced state-interventions. Yet contrary to other world powers, the EU and its member states have failed to institute any significant civilian-Keynesian policies. Whereas China and the US adopted measures to stimulate consumer demand and investments, - the European Union has continued singing its old tune, - obliging its members to re-balance their budgets while failing to develop any alternative to neo-liberalism. When the crisis over sovereign debts expanded, the EU felt compelled to partly counter the might of the European banks. It instituted a European level emergency fund of ú440 Billion and enhanced the role of Europeôs Central Bank. Yet as events on Europeôs Stock Exchanges in August have clarified: these measures are far from sufficient to tame the financial markets. As a sequel to the two mentioned innovations, politicians are now debating the idea of issuing Eurobonds. Meanwhile, few appear to realize that a far more drastic shift in European-level policymaking is called for. As the banks continue to play havoc over Europeôs weaker states, one wonders when Europeôs policymakers will wake up.

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No New Proposals from IMF on European Debt Crisis

By: Barry Grey

The annual meetings of the International Monetary Fund (IMF) and World Bank in Washington, DC concluded with no agreement on specific measures to avert a default by Greece and the threat of a new financial meltdown and global depression.

Following several days of meetings, press conferences and speeches by central bankers, finance ministers and IMF and World Bank officials, replete with warnings of imminent catastrophe and demands for urgent and coordinated action, the IMF issued a boilerplate communiqué notable for the absence of any concrete proposals.

ñToday we agreed to act decisively to tackle the dangers confronting the global economy,ò the statement read. ñThese include sovereign debt risks, financial system fragility, weakening economic growth and high unemployment. . . We will therefore act collectively to restore confidence and financial stability, and rekindle global growth.ò

Along with a reaffirmation of its commitment to imposing austerity measures on the working class, in the name of ñfiscal consolidation,ò and its call for European banks to be ñrecapitalizedò with public funds, the IMF recycled the promise that euro zone countries would do ñwhatever is necessary to resolve the euro-area sovereign debt crisis and ensure the financial stability of the euro area.ò

Warning of the likely response of the financial markets to such pro forma generalities, Swedish Finance Minister Anders Borg, measuring his words carefully, said, ñThere is some risk of market disappointment due to the fact there were no further, more specific pledges from the euro countries.ò

The meetings were held in the midst of plummeting stock markets, mounting credit downgrades of banks and entire countries, and economic data confirming a sharp slowdown in economic growth in virtually every part of the world.

On the eve of the conferences, the Greek government announced new and even more brutal austerity measures in an attempt to satisfy the demands of the IMF, European Commission and European Central Bank (ECB), which have withheld an 8 billion euro installment of the rescue fund that was set up in 2010. Greece will run out of money to pay wages and pensions by mid-October if the funds are not approved by October 8. The new measures announced by the social democratic PASOK government include 50,000 public sector job cuts, deeper reductions in wages and pensions, and new consumption taxes.

In a speech before the Institute of International Finance, a global association of banks and finance houses meeting in Washington on the sidelines of the IMF-World Bank conferences, Greek Finance Minister Evangelos Venizelos insisted Greece would not default or exit the euro zone. He pledged that his government would take the necessary steps to satisfy the banks and financial organizations ñat any political cost.ò

The sense of crisis dominating the meetings was evident in the IMFôs ñConsolidated Multilateral Surveillance

Report,ò which declared, ñThe global economy has entered a dangerous phase.ò The report forecast that the best scenario, assuming that the euro zone was able to avert of series of sovereign and bank defaults, would involve ñan anemic recovery in major advanced economies and a cyclical slowdown in emerging economies,ò in which ñmany economies will continue to struggle with very high unemployment.ò

To achieve even this, the report said, ñPolicy responses are urgently needed to decisively reduce rising uncertainty and fear.ò It continued: ñThe world economy has entered a dangerous phase in which negative developments could quickly run beyond the control of policy makers.ò

In her opening speech, IMF Managing Director Christine Lagarde said risks had ñincreased sharplyò and produced a ñcrisis of confidence.ò Later she suggested that the current lending capacity of the IMF would have to be dramatically increased, saying it ñpales in comparison with the potential financing needs of vulnerable countries and crisis bystanders.ò

World Bank President Robert Zoellick warned of ñthe looming danger that failure to take decisive action in Europe and the United States may shake the entire global economy.ò

US Treasury Secretary Timothy Geithner told the steering committee of the 187-nation IMF, ñThe threat of cascading default, bank runs and catastrophic risk must be taken off the table.ò

Despite such dire warnings, the best the assembled officials could manage was a promise to announce new bailout measures to salvage the euro when government heads meet at the next G20 summit of leading economies, to be held in Cannes, France on November 4. As British Treasury chief George Osborne put it, perhaps optimistically, ñThe euro zone has six weeks to resolve this political crisis.ò

Behind attempts to put a brave face on the situation, however, conflicts and tensions between the US and the European Union, between countries within the EU, and between policy makers and the banks were evident.

The US together with the IMF are pushing for the European Union to dramatically expand the financial reach of the 440 billion euro European Financial Stability Facility (EFSF), upon which agreement was reached last July 31. They are proposing that the rescue fund be leveraged by allowing it to coordinate with the European Central Bankð which has the ability to print euros. The idea, similar to schemes employed by the Bush and Obama administrations to expand the bailout of US banks, is for the ECB to inject capital into troubled European banks and have the EFSF guarantee it against any losses.

This, however, is opposed by Germany and by officials within the ECB itself. François Baroin, Franceôs finance minister, on Friday told reporters that there would be no legal impediment to the EFSF conducting joint operations with the ECB. But German Finance Minister Wolfgang Schäuble poured cold water on the idea, saying ñThere are other possibilities than going to the ECB.ò ECB Governing Council member Ewald Nowotny said acidly, ñIt is not helpful that we have an avalanche of new proposals every week.ò

Germany, for its part, is pushing a restructuring plan, as part of a second bailout fund for Greece agreed upon last July, in which private holders of Greek government bonds would have to accept a 50 percent discount on the face value of their investments, instead of the 21 percent to which the banks agreed over the summer. That deal was based on a proposal drawn up by the Institute for International Finance, the world banking organization, under which, according to a recent estimate by economists at Barclayôs Capital, the banks would really lose only 5 percent.

It is widely believed that the 21 percent deal to which the banks agreed would fall far short of enabling Greece to avoid defaulting on its debts. But, Josef Ackermann, speaking as the head of the Institute for International Finance, flatly rejected any renegotiation of the earlier deal. ñIt is not feasible to reopen the agreement,ò said Ackermann, who, as CEO of Deutsche Bank, presides over a firm with large-scale holdings of Greek debt.

While the public stance presented at the meetings over the weekend was a commitment to averting a Greek default, the growing private consensus within the financial markets and among policy makers is that Greece cannot be saved. It should be allowed to go bankrupt, the thinking goes, but kept in the euro zone, while other highly indebted countries such as Portugal, Ireland and especially Italy and Spain are somehow ñring-fencedò and prevented from suffering a similar fate.

German newspapers reported over the weekend that the government of Chancellor Angela Merkel has stepped up preparations to shield German banks from the impact of the type of restructuring of Greek debt it is advocating, which amounts to a de facto default by Greece.

The center-left Ethanos newspaper reported, citing sources in Brussels, that the German government foresees a 127 billion euro bailout of Germanyôs ten biggest banks. The newspaper also wrote that following such a debt restructuring, Greece would be forced to impose even more draconian austerity measures and accept budget terms that include ensuring a balanced budget each month.

The center-right newspaper Kathimerini reported that the plan calls for the appointment of a European official in Athens who would have oversight, including veto powers, of Greeceôs fiscal program.

By: Tyler Durden

As I noted in 2009, 5 banks held 80% of Americaôs derivatives risk. Since then, the percent of derivatives held by the top 5 banks has only increased.

The latest quarterly report from the Office Of the Currency Comptroller is out [shows] that the top 4 banks in the US now account for a massively disproportionate amount of the derivative risk in the financial system. Specifically, of the $250 trillion in gross notional amount of derivative contracts outstanding (consisting of Interest Rate, FX, Equity Contracts, Commodity and CDS) among the Top 25 commercial banks (a number that swells to $333 trillion when looking at the Top 25 Bank Holding Companies), a mere 5 banks (and really 4) account for 95.9% of all derivative exposure é . the top 4 banks: JPM with $78.1 trillion in exposure, Citi with $56 trillion, Bank of America with $53 trillion and Goldman with $48 trillion, account for 94.4% of total exposure. As historically has been the case, the bulk of consolidated exposure is in Interest Rate swaps ($204.6 trillion), followed by FX ($26.5TR), CDS ($15.2 trillion), and Equity and Commodity with $1.6 and $1.4 trillion, respectively. And thatôs your definition of Too Big To Fail right there: the biggest banks are not only getting bigger, but their risk exposure is now at a new all time high and up $5.3 trillion from Q1 as they have to risk ever more in the derivatives market to generate that incremental penny of return.

Amazingly, the top 5 banks have virtually 100% of all credit derivatives held by American banks (see the second to last line in the above table).

Dwarfing the World Economy

The amount of derivatives dwarfs the size of the world economy. As Bloomerg reported in May:

Mark Mobius, executive chairman of Templeton Asset Managementôs emerging markets group, said another financial crisis is inevitable because the causes of the previous one havenôt been resolved.

ñThere is definitely going to be another financial crisis around the corner because we havenôt solved any of the things that caused the previous crisis,ò Mobius said é ñAre the derivatives regulated? No. Are you still getting growth in derivatives? Yes.ò

The total value of derivatives in the world exceeds total global gross domestic product by a factor of 10, said Mobius, who oversees more than $50 billion. With that volume of bets in different directions, volatility and equity market crises will occur, he said.

The global financial crisis three years ago was caused in part by the proliferation of derivative products tied to U.S. home loans that ceased performing, triggering hundreds of billions of dollars in writedowns and leading to the collapse of Lehman Brothers Holdings Inc. in September 2008.

Huge Amount of Derivatives Are Dangerous

Credit default swaps were largely responsible for bringing down Bear Stearns, AIG (and see this), WaMu and other mammoth corporations.

And unexpected changes in interest rates could cause a major bloodbath in interest rate derivatives.

And, no, there have not been any reforms or attempts to rein in derivatives, and the Dodd-Frank financial legislation was really just a p.r. stunt which didnôt really change anything.

But the big banks and their minions claim that the huge amounts of derivatives themselves is unimportant because these are only ñnotionalò values, and ï after netting ï the notional values are deflated to much more modest numbers.

But as Durden ï who has a solid background in derivatives ï notes:

At this point the economist PhD readers will scream: ñthis is total BS ï after all you have bilateral netting which eliminates net bank exposure almost entirely.ò True: that is precisely what the OCC will say too. As the chart below shows, according to the chief regulator of the derivative space in Q2 netting benefits amounted to an almost record 90.8% of gross exposure, so while seemingly massive, those XXX trillion numbers are really quite, quite smallé Right?

é Wrong. The problem with bilateral netting is that it is based on one massively flawed assumption, namely that in an orderly collapse all derivative contracts will be honored by the issuing bank (in this case the company that has sold the protection, and which the buyer of protection hopes will offset the protection it in turn has sold). The best example of how the flaw behind bilateral netting almost destroyed the system is AIG: the insurance company was hours away from making trillions of derivative contracts worthless if it were to implode, leaving all those who had bought protection from the firm worthless, a contingency only Goldman hedged by buying protection on AIG. And while the argument can further be extended that in bankruptcy a perfectly netted bankrupt entity would make someone else whole on claims they have written, this is not true, as the bankrupt estate will pursue 100 cent recovery on its claims even under Chapter 11, while claims the estate had written end up as General Unsecured Claims which as Lehman has demonstrated will collect 20 cents on the dollar if they are lucky.

The point of this detour being that if any of these four banks fails, the repercussions would be disastrous. And no, Frank Doddôs bank ñresolutionò provision would do absolutely nothing to prevent an epic systemic collapse. ***(Courtesy: infowars.com)***

Sharp Slowdown in World Manufacturing

By: Andre Damon

A new batch of economic data released reaffirms that the world economy is slowing disastrously. Manufacturing activity in Europe shrank for the first time in two years in August, while Canada announced that its economy contracted in the second quarter.

The global manufacturing purchasing managers index, a closely watched indicator of world manufacturing output, fell once again in August, according to figures released by JPMorgan and Markit.

The index, which fell from 50.7 in July to 50.1 in August, is only a hairline above the level of 50 that is traditionally taken to mean contraction.

The global index came out on the same day as the release of manufacturing purchasing managers indexes from the Eurozone, China, and the United States, most of which showed a significant slowdown in manufacturing.

Manufacturing in the euro area contracted for the first time in two years. The index for Germany, the Eurozoneôs economic powerhouse, hit a 23-month low of 50.9, barely avoiding contraction. Ireland, France, Italy, Spain, and Greece all posted readings below fifty. Franceôs manufacturing purchasing managers index hit 49.1, its lowest level in 25 months.

Greece and Spain, whose economies are reeling from the impact of the European debt crisis, recorded among the lowest readings, at 45.3 for Spain and 43.3 for Greece.

Chris Williamson, Chief Economist at Markit, the firm that compiled the Eurozone statistics, said that the figures signaled ñan end to the manufacturing recovery which began in October 2009.ò

He added that the figures ñeither signaled stagnation or contraction in all countries surveyed, with output falling for the first time since July 2009 and job creation sliding to the lowest for nearly a year.ò

Exports drove the drop in output, falling in all countries except Greece and Ireland, as Germany, the continentôs largest exporter, led the decline.

Noting the slump in German exports, Williamson concluded that ñthe Eurozone can no longer rely on export-led growth in its largest member state to help sustain even a lackluster recovery for the region as a whole.ò

The purchasing managers indices come after the disastrous growth figures for the second quarter of the year, which showed that the European economy grew by only 0.2 percent. The latest purchasing managers figures likely mean that the European economy will do even worse in the second half of the year.

The manufacturing index in the UK contracted, falling to 49, the lowest level in almost two years. Asia was just as badly hit. Manufacturing activity in Taiwan hit its lowest level in two and a half years. Taiwan reached 49.7 in August, down from 51.3 in July. The figure for Chinese manufacturing improved slightly, but two different measures clashed on whether manufacturing in the country was growing or shrinking overall.

Meanwhile, other indicators also point to a protracted slump. Business and consumer sentiment in the Eurozone suffered the sixth consecutive drop in August, according to figures released this week, reflecting the most recent stock selloff and the worsening of the financial crisis.

In the United States, ADP, the payrolls company, said in its monthly payroll report that the US private sector added only 91,000 jobs in August, down from 109,000 in July. The numbers set a gloomy tone for the official US August jobs figures.

These developments give credence to the warnings of IMF Managing Director Christine Lagarde, who said that the European financial system is on the verge of collapse. Lagarde urged unified action by the European countries to inject capital into European banks in order to prevent a second financial meltdown.

Such a move, which in and of itself would amount to another cash handout to the banks, was immediately denounced by various national and political factions of the European ruling elite.

The same ineffectuality and fecklessness was on display in US Federal Reserve Chairman Ben Bernankeôs speech in Jackson Hole, Wyoming, where he acknowledged the significantly worse prospects for the US economy, but could provide no policy proposals to deal with the renewed downturn.

The ruling class as a whole has no means of dealing with this renewed economic disaster. In bailing out the bankrupt banks, they have transferred bad debts onto government balance sheets. At the same time, the easy money policy in the US, involving what amounts to the printing of trillions of dollars, has called into question the viability of the dollar and the global currency system.

In response to government budget deficits, the ruling class is now turning to austerity and the immiseration of the working class. But this very process is leading to a collapse of demand and an economic collapse surpassing that of 2008.

(Courtesy: countercurrens.org)

China protesters clash with police in Huzhou

Thousands of people clashed with police and smashed cars in eastern China after protests over taxes turned violent, a rights group said, while authorities put the number in the hundreds.

Several police were hurt in the riots, which began as a protest by business owners over taxes in the eastern Chinese city of Huzhou in Zhejiang province, according to an official statement posted on a local government website.

Authorities said 600 people were involved in protests, but local witnesses, bloggers and a Hong Kong rights group put the number of protestors in the thousands and said there were large numbers of police on the streets.

"At least 100 cars have been smashed, including 10 police cars, and one armoured police car has been burned," the Hong Kong-based Information Centre for Human Rights and Democracy said in a statement.

Several people were wounded when the driver of a car tried to push through the crowd of protesters, it said.

Hong Kong television showed footage of protesters attacking a public security bus and bloggers reported that between three and eight people had been killed in the clashes, though this could not be confirmed by AFP.

A public security bureau official contacted by telephone in the city refused to comment. "The officers are all outside trying to control the situation," he told AFP before hanging up.

The Huzhou government news site said 28 people had been arrested over the riots and police used "heavy-handed measures" to quell the riots.

"Police... have used heavy-handed measures to severely strike at criminal suspects and provocateurs smashing and burning cars and bringing chaos to public," it said in a statement.

Local clothing factory workers reached by telephone told AFP the number of protestors was in the thousands, that cars had been destroyed, and that they remained afraid to go outside on Thursday.

"People and police officers are everywhere on the street. I heard the police have detained at least 1,000 people and if you walk outside, you may be beaten," one woman told AFP, declining to give her name.

The official statement said police had dispersed the crowds before midnight and the situation was under control. Several workers said production at factories in the town had been stopped.

Mass protests are not uncommon in China as disenfranchised people left behind by the country's economic boom take to the streets to air their grievances.

Last month, protesters in Zhejiang, also in eastern China, broke into a factory, ransacking offices and overturning vehicles after an Internet posting blamed the plant for local pollution.

Around 7,000 workers in Dongguan stage mass protest over wage cuts and dismissals

Around 7,000 workers at a Taiwan-owned shoe factory in Dongguan took to the streets in protest at salary cuts and the earlier dismissal of 18 managerial staff, according to posts on Tianya and a Southern Daily reporterôs microblog.

Photographs posted online showed large numbers of police on the street and bloodied workers who claimed to have been beaten by the police. Several other workers had reportedly been detained.

The strike at the Yue Cheng factory in Huang Jiang township was triggered by the dismissal of 18 managers.The company claimed they had been dismissed because of the factoryôs decreasing orders and sluggish business. But one of the managers told China Business News that the real reason behind their dismissal was that the factory planned to shift production to Jiangxi in a bid to combat rising costs in the Pearl River Delta.

ñWeôve been loyal workers for over a decade in this factory. But now the factory decided to fire us on the sole excuse of bad business operations and cost pressures. How can they be so irresponsible?ò one dismissed manager wrote on his internet post.

So far, the factory has not commented on the dispute. Yue Cheng is a subsidiary of Hong Kong-listed Yue Yuen Industrial Holdings, which makes sports shoes for New Balance, Nike and Adidas. Its Taiwan-based parent company, Pou Chen Corporation is one of the biggest shoe manufacturers in the world.

Alabama Immigration Law: Police Arrest 13 Protesting Controversial Legislation

Police arrested 13 protesters in Alabama's capital as they demonstrated against the state's strict new law clamping down on illegal immigrants.

About 100 people, most of them Hispanic and college-aged, chanted slogans as they marched in light rain around the state Capitol and to the adjacent Statehouse where the legislature works.

"Undocumented, unafraid," "No papers, no fear, immigrants are marching here," and "Ain't no power like the power of the people," were among the slogans the protestors chanted as they marched. Later, some were hauled off to jail in a yellow bus normally used by the city parks and recreation department.

Some sat down on Union Street between the Statehouse and the Capitol when police approached and warned them in English and Spanish that they would be arrested if they didn't move.

None did and police arrested 11 demonstrators, tying their hand with yellow straps and loading them into the bus.

Federal courts have blocked parts of the Republican-backed law from taking effect, but both supporters and critics still call it the nation's toughest state law against illegal immigration. The Obama administration opposes the law, which is calls an overreach by the state.

One of those arrested was 19-year-old Catalina Rios, a student at Henry Ford Community College in Detroit. She identified herself an illegal immigrant from Mexico.

Looking like a typical American teenager with her long dark hair in a ponytail, Rios said she knew there was a possibility she might be deported as she sat in the street waiting to be arrested.

"I know that I live in fear every single day of that, so this is no different," Rios said. "I'm doing this for all the immigrant students who struggle every day."

A Montgomery attorney who volunteered to represent those arrested, Mike Winter, said he understood they were mostly being charged with disturbing the peace, but also could be held for immigration officials.

After walking all the way around the Capitol one time, about 20 protesters entered the Statehouse and went up to the seventh-floor office of state Sen. Scott Beason, R-Gardendale, a key proponent of the law.

Once downstairs, two of the demonstrators ï college students Ernesto Zumaya, 24, of Los Angeles and Caesar Marroquin, 21, of Philadelphia ï linked arms and sat down on the floor of the main lobby. They vowed not to leave until Beason responded to their concerns. Beason did not respond to the protest and Zumaya and Marroquin were arrested peacefully when the building closed for the day.

Both said they are immigrants from Mexico without papers who have lived in the U.S. most of their lives. Marroquin said he always wanted to be a U.S. Marine.

Beason said later that he was not in his office Tuesday afternoon and did not immediately get the message except being told there were people at the Statehouse to see him.

A leader of the protest, Mohammad Abdollahi, who said he was an immigrant without papers from Iran who lives in Bessemer, explained that the purpose of the demonstration was for their voice "to be heard."

Tribal resistance stalls mining ventures in India

Several mining projects in mineral-rich Indian lands have been complicated due to unrelenting protests by tribal people and advocacy groups.

Activists in the East Indian state of Jharkhand have held up a steel project, citing "identity" issues. The socio-economic importance of land is irreplaceable, said Dayamani Barla, a tribal activist.

ñOur lands are passed on and managed over generations and are not just property,ò she said.

Some occupants of lands eyed by corporations or the government have turned down jobs and damages but other rural and tribal people don't see a downside to the projects. In Bengal, where a land acquisition crisis in 2008 forced an automobile company to leave, Biju Mondol, a local resident, approves of industrialization. He worked in an industry belt on the state's outskirts, he said.

ñOur financial condition gradually improved after I was recruited,ò he said.

But many reject industrialization. Activists argue that the rights of tribal and rural groups are being manipulated. Those rights are outlined under the federal Forest Act, which protects those groups from eviction.

Current laws aren't doing enough to protect those groups, said Miriam Ross of Survival International, a group that advocates for tribal rights worldwide.

ñNo development should take place on their land without their free, prior and informed consent," she said.

Tribal groups around the world are sidelined to make way for projects designed to make the rich richer, Ross said.

In what tribal activists saw as a victory, the Indian Ministry of Environment and Forests stalled work by the mining firm Vedanta in the Niyamgiri region of Orissa, which is inhabited by the Dongria Kondh tribe. Survival International played an active role in the global campaign against Vedanta.

The issue isn't that tribes fail to claim a stake in mining profits, Ross said. ñTribal people are much more concerned by the impact that the loss of their land will have on their lives and the future generations,ò she said. Tribes know fully well that the promised developments are mere eyewashes, she said.

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