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For a just and sustainable society

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A Comfortable Betrayal

J.D. ALT

How to survive current and future catastrophes. Source: Flickr cc

It would be a shocking scandal if it came to light that the professions of medical science had, for decades, known about an easy to treat, underlying cause of cancer — but conspired to obfuscate and suppress the information to protect their participation in a medical industry raking in hundreds of billions a year to treat the disease. Professional standings, tenures, licenses would be in tatters. Lawsuits would abound. And outrage would march on every city hospital and medical college in the nation — would it not?

Such a betrayal, of course, is not humanly possible. Right? Yet is it not the case that the professions of economics, journalism and politics are guilty of something very like this kind of betrayal? Doesn't it strike you as odd that, for more than five decades now, the U.S. government has been issuing and spending trillions of dollars of U.S. FIAT currency, and not once has a mainstream economist, journalist, or political leader found it worthy of consideration to even try to explain — from the perspective of what economic policy is all about — what a sovereign fiat currency actually is, and how it functions? While U.S. democracy labours under the false belief its government is broke, deeply in debt, and cannot afford to pay for a humane and effective safety net for those who the corporate economy cannot profitably employ — while tens of millions of U.S. citizens, in other words, struggle to get enough food to eat, desperately search for affordable housing, agonize over how to obtain essential health-care, and scramble to pay for the care and education of their children.

While, furthermore, the nation's vast infrastructures crumble and fall into obsolescence, while we struggle to rebuild after the catastrophic storms and wild-fires of climate change, while we fail to clean up the pollution that threatens our drinking water, our breathable air, our food supplies and fisheries — while all this great struggle debilitates the national prospect like a cancer, the professions of economics, journalism, and politics obfuscate and suppress the underlying possibility of an actual cure: The understanding of what sovereign fiat-currency is and how we can use it.

There are, of course, cogent voices in the wilderness: the UMKC economists (Professors Stephanie Kelton, Randy Wray, Pavlina Tcherneva etc.) now scattered to Stonybrook, Bard College and the Levy Economics Institute; also there's Prof Bill Mitchell expounding reason from the Australian hinterland; there's economist and hedge-fund founder Warren Mosler who, apparently, was the first person to discover the world is using fiat money.

There's the continuous twitter conversations trying to come to grips with our malaise and why an apparent cure is being suppressed and withheld. But the mainstream voices guiding democracy refuse to listen, refuse to even acknowledge, or discuss, the existence of Sovereign Fiat Money. What is it? How is it created? How do citizens and businesses get their hands on it? Why does sovereign fiat money make it possible for us to collectively undertake and accomplish things we otherwise believe are not "affordable?"

No. The mainstream voices do not want this topic, these words, these questions on their tongues. For them, "money" is something that simply exists, and the only question is who should get to have it to spend? The government — to pursue collective goals? Corporate entrepreneurs — to generate profits? The single mom who can't find full-time employment — to feed, house and get health-care for her family?

The mainstream voices — the economists and journalists and political leaders — thrive on this question of how to divvy up the pot of "money" that the nation, by some inexplicable process, has been allocated to have. Staking out positions in this allocation argument is their career and sustenance. To take their argument away (by suggesting the pot of "money" is, in fact, expandable — as needed — by the direct sovereign spending of fiat-currency) threatens to leave them marginalized and irrelevant; even worse: possibly unemployed?

There are people in the mainstream voices, I'm sure, who genuinely don't have a clue. There are many others, however, who understand all this very well — but who refuse to risk the comfortable and lucrative positions they've staked out in the false debate of the mainstream narrative. While these economic, journalistic, and political leaders bask in the celebrity-comfort — and pay-scale — of their argumentative positions, the nation's precious democracy struggles with what it is told is its abject poverty, indebtedness, and helplessness. The magnitude of this betrayal, when you consider its consequences, is staggering.

I won't be naming names here. But I think we should start calling them out.

Source: New Economic Perspectives http://neweconomicperspectives.org/2018/02/a-comfortable-betrayal.html#more-11219

This essay was first posted at https://www.realprogressivesusa.com/

Comments.

Graham Paterson Thank you J D, it is not before time that this message needs to be spread, not only in the US, but on a worldwide basis. I think it was Warren Mosler who said, "Anyone who doesn't understand the difference between monetary sovereignty and monetary non-sovereignty, doesn't understand economics". Australia applied it back in 1911 when they created the CBA (Commonwealth Bank of Australia) as the

Government owned people's bank, largely from the persistence of your US compatriot, King O'Malley, who became an Australian politician. The Bank was effectively destroyed in 1923 by the Tory Government of Stanley Bruce, but the Bank got us through WWI without horrendous debt. Ellen Brown has just published and excellent article on China's financial system, "Why China Is Running Circles Around America", which is based on China's control and use of their money system for the betterment of the nation.

Adam Eran Oddly enough, Marcia Angell, former New England Journal of Medicine editor, biochemist Colin Campbell, and Dr. John McDougall have been saying exactly this about the medical profession, too. The toxicity of conventional medicine is rampant.

Steven Hummel You're exactly right that it borders on criminal that economists and politicians have been so confused and/or complicit with vested interests and private finance to deny/obscure the mechanics of sovereign money. Now all that MMT needs to supercharge the significance of same is to recognize the incredibly powerful effects of tying fiscal and monetary policy directly to the point of retail sale with a discount/rebate scheme. This recognition is not just some data point, it is a summing point and ending point for total costs and so total prices for every consumer product or service including all capital costs. Pair that insight with the fact that both the pricing system and the money system are both digital and a 50% discount to consumers at that point that is rebated back to the merchant giving it by a monetary authority specifically mandated to do so and you've immediately doubled everyone's potential purchasing power, created the possibility of enterprise to double their sales, eliminated the possibility of price and mortgage asset inflation and done what has been considered impossible, namely the integration of price deflation painlessly and beneficially into profit making systems. This single policy would so stabilize the economy and make for a great employment and investment climate that it would be recognized as a virtual paradigm change in economics and money systems, and in fact it would dramatize the very expression of the new paradigm of direct and reciprocal monetary gifting.

Editor's comment Notwithstanding that some social creditors like Steven Hummel can identify with MMT to the extent that they recognize the need for sovereign money and presumably understand the mechanics of its creation, we do not believe that the application of their favourite prescriptions - of the retail discount and the national dividend - would suffice on their own to address what is required for national infrastructure repair and development, environmental repair, sustainable energy systems, affordable education and health care, also affordable housing, and meaningful ongoing work for everyone who desires to have a paid job. In our view, only targeted fiscal policy can adequately achieve these outcomes.

Bank of England: How money is created

Editor

According to the Bank of England's Monetary Analysis Directorate [1] :

The reality of how money is created today differs from the description found in some economics textbooks:

• Rather than banks receiving deposits when households save and then lending them out, all bank lending creates deposits.

• In normal times, the central bank does not fix the amount of money in circulation, nor is the central bank money 'multiplied up' into more loans and deposits …

Most of the money in circulation is created, not by the printing presses of the Bank of England, but by the commercial banks themselves: banks create money whenever they lend to someone in the economy or buy an asset from consumers. And in contrast to descriptions found in some textbooks, the Bank of England does not directly control the quantity of either base money or broad money.

1. Source McLeay, M. et al, Money creation in the modern economy; Bank of England, Quart. Bull. 2014 Q1 (pp 14-27).

Science and the quest for truth

Lars Syll

According to economist Robert Aumann:

" In my view, scientific theories are not to be considered 'true' or 'false.' In constructing such a theory, we are not trying to get at the truth, or even to approximate to it: rather, we are trying to organize our thoughts and observations in a useful manner."

What a handy view of science. How reassuring for all of you who have always thought that believing in the tooth fairy make you understand what happens to kids' teeth. Now a 'Nobel prize' winning economist tells you that if there are such things as tooth fairies or not doesn't really matter. Scientific theories are not about what is true or false, but whether 'they enable us to organize and understand our observations' … Mirabile dictu!

What Aumann and other defenders of scientific storytelling 'forgets' is that potential explanatory power achieved in thought-experiment models is just not enough for attaining real explanations. Model explanations are at best conjectures, and whether they do or do not explain things in the real world is something that needs to be tested. To just believe that you understand or explain things better with thought experiments is not enough. Without a warranted export certificate to the real world, model explanations are pretty worthless. Deriving results within models is not enough. And objective truth is an important concept in any real science.

Source: Real World Econ Rev., 23 Feb 18 https://rwer.wordpress.com/2018/02/23/science-and-the-quest-for-truth/

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Also from Lars Syll: The efficient market hypothesis: pseudoscientific mumbo-jumbo

The efficient market hypothesis - EMH - argues there is no free lunch and prices are 'right'. Well, as we all know, that is not true. Noise does influence asset prices and the law of one price is blatantly violated again and again ...

" The price is often wrong, and sometimes very wrong … If policy-makers simply take it as a matter of faith that prices are always right, they will never see any need to take preventive action. But once we grant that bubbles are possible, and the private sector appears to be feeding the frenzy, it can make sense for policy-makers to lean against the wind in some way. Central banks around the world have had to take extraordinary measures to help economies recover from the financial crisis. The same people who complain most about these extraordinary measures are also those who would object to relatively minor steps to reduce the likelihood of another catastrophe. That is simply irrational. " - Richard Thaler

The Myth of the 2020/21 Surplus
John Kelly

The federal Treasurer's belief that he will be able to produce a surplus budget by 2020/21 is either a pipe dream or a con-trick. It is simply not achievable.

And, to our collective relief, it is ignorance rather than good management, that will ensure it doesn't happen. Notwithstanding the fact that a surplus budget is the last thing our economy needs now or then, it is government policy that will stop it from happening.

The Treasurer thinks giving tax cuts to the private sector will create jobs. It's often called 'trickle-down theory', but it's only an unproven hypothesis. There is a weak link in his story - and a vital one. He has no control over what happens to that extra money kept by private sector businesses.

Such politicians are constantly boasting that they have created a jobs boom when in fact, the job creation is - in the main - proportional to the increase in population. The jobs increase naturally. If there was a real jobs boom, there would not be 700,000 unemployed today, which as it happens, is the same number of people unemployed in September 2013 when this government came to office.

They haven't created anything, but they will happily take credit for what occurs naturally through immigration.

In the meantime, they are more than happy to maintain a pool of 5 percent unemployed, which some OECD countries regard as full employment, to keep wages stagnant. But low wage growth restricts a nation's capacity to grow. It limits the spending capacity of workers.

So, the question should be asked: why would companies use a tax cut to invest when low wage growth inhibits workers ability to purchase more goods and services? Such investment would be counter-productive. Which begs the next question: what would corporate Australia do with the extra cash? It might be used to invest and expand, or it might be used for share buy-backs, or for funding even bigger executive bonuses. History, however, tells us that it is bonuses and share buy-backs that usually win out, but history also tells us that one in five companies don't pay tax.

So, a tax cut offers nothing for them, no reason to invest, no reason to hire. So, the projected surplus in 2020/21 is a myth. Without wage growth which produces higher tax revenues and the promise of higher sales volumes and bigger profits, the only way the federal Treasurer could achieve a surplus in 2020/21 is to reduce government spending further.

That too, is counter-productive. When government spends less, one of two things happens. People spend less, or they take on more debt. We are already one of the top three privately indebted countries in the OECD.

The most likely outcome is contracted growth, leading to recession. We have been on this path now for five years. It has been delayed because of our large immigration intake including 457 visa holders. It's not rocket science.

So, when we hear the Treasurer and Prime Minister spruiking tax cuts for business, we know it's not designed for jobs and growth. Is it possible that they have other reasons for wanting to give business breaks they don't deserve?

Source: The Aim Network, 25 Feb 2018
https://theaimn.com/myth-2020-21-surplus/
Website: http://johnbkelly.wordpress.com

Neoliberal v Neoclassical economics – what's the difference?

Claire Connelly

Neoliberalism and neo-classical economics are often terms that are used interchangeably by various economists and financial writers, but actually, there are important differences between the two. We've had some requests from readers to make that distinction more obvious, so here goes…

Neo-classical economic theory puts 'man' as a rational human being at the heart of the economic system, extrapolating the functions of the economy based on the optimised behaviour of rational, well-informed individuals trading with one in another in what is effectively a barter system (which as I'm sure we all know by now, never actually existed). It is based on a general equilibrium model pioneered by late 19th century economist Leon Walras, of the Lausanne School. Ironically, neoclassical economics guarantees full employment because it models a system with no frictions or inconveniences like trade unions, minimum wage laws or imperfect information. Also false.

It also guarantees that society will find an optimal allocation of resources on its own, so long as markets are competitive, and there are no externalities, like pollution, which go unaccounted for.

Neoclassicists are concerned about monopoly power, neoliberals are not. Neoclassicists believe it merits government intervention and regulation. Neoliberals, do not.

It is possible to be a neoclassical without being a neoliberal.

The most important thing to understand is that neoliberalism is a post-war political movement that grew out of the Mont Pelerin Society, a thought collective that formed a consensus not to put

the market at the centre of the state, but to take it over completely. Its entire objective is to co-opt economics and subvert the public interest to suit the needs of powerful capitalist institutions and the politicians, economists, financiers, philosophers, bankers, think-tanks and media organisations that support them.

Neoliberalism is associated with laissez-faire economic liberalism and was pioneered by the economists Milton Friedman & Friedrich Hayeck, but as the economic historian, Philip Mirowski points out, this is a deliberate deception designed to trick people into thinking it is concerned about market equilibrium.

It is the doctrine by which white collar crime has been allowed to prosper unprosecuted while governments of wealthy nations like the US and UK have abdicated their responsibility for employment, health care, education and the general well-being of the populations they are supposedly elected to serve. In their minds, government exists only to maintain property rights, defend capitalists and maintain price stability, (which apparently doesn't count as intervention when it works in the favour of the wealthy).

Unlike neoclassicists and neoliberals, heterodox economists and other post-Keynesians, reject the notion of general equilibrium. They believe the economy evolves through non-equilibrium states over time. Heterodox economists believe governments need to introduce instability-thwarting mechanisms to stabilise the economy, maintain full employment, and retain social equity.

"Free-market economists may want you to believe that the correct boundaries of the market can be scientifically determined, but this is incorrect," writes institutional economist, Ha-Joon Chang, in his book *23 Things They Don't Tell You About Capitalism*.

"If the boundaries of what you are studying cannot be scientifically determined, what you are doing is not a science," writes the Cambridge University economist.

"Recognising that the boundaries of the market are ambiguous and cannot be determined in an objective way lets us realise that economics is not a science like physics or chemistry, but a political exercise."

In other words, a strong economy requires constant time, attention, assessment, and when it is called for, intervention. The rules will not always be the same, nor the causes. But it helps to start with an understanding of the role and purpose of government spending and taxation.

Source: Renegade Inc, with permission. https://renegadeinc.com/neoliberal-v-neoclassical-economics-whats-difference/

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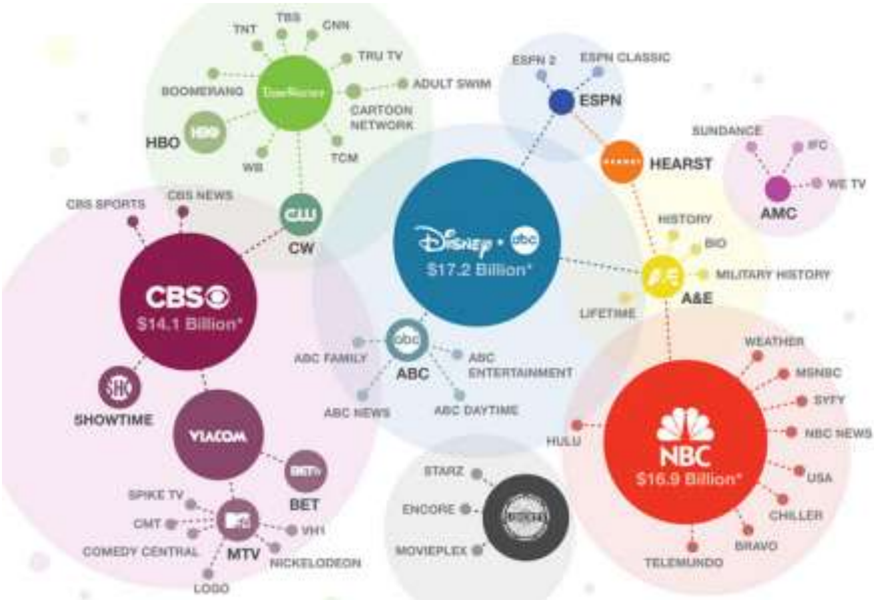


90% of the US media (film, TV and radio) is controlled by only 6 companies.

Recommended book: Finance as warfare

by Michael Hudson (WEA eBooks, 1 July 2015)

The financial sector has the same objective as military conquest: to gain control of land and basic infra-structure and collect tribute. To update von Clausewitz, finance has become war by other means. It is not necessary to conquer a country or even to own its land, natural resources and infrastructure, if its economic surplus can be taken financially. What formerly took blood and arms is now obtained by debt leverage. The creditor's objective is to obtain wealth by indebting populations and even governments, and forcing them to pay by relinquishing their property or its income. Direct ownership is not necessary. Fully as powerful as military force, debt pressure saves the cost of having to mount an invasion and suffer casualties. Who needs an expensive occupation against unwilling hosts when you can obtain assets willingly by financial means - as long as debt-strapped nations permit bankers and bondholders to dictate their laws and control their planning and politics?

Letters

From Greg Reid

Doughnut economics - a way forward

The book “Doughnut Economics” by Kate Raworth is full of examples and conceptual tools that could redirect economics into the service of a sustainable society. At heart it hopes that the current economic paradigm will be swept aside because of mounting failures and be replaced by regenerative and distributive economic systems.

Unfortunately, the current economic paradigm is not a failure to those who have been advanced by it and wield power through it. They will use rationalisations and false narratives to cling to the neoliberal system that has served them well. History is full of examples where exploitative systems have persisted for many centuries despite the broad destruction and suffering they caused.

I fear that “Doughnut Economics” will remain an interesting fringe theory unless it can subvert the current paradigm from within, and that will require some initial conceptual compromises during the transition. Like the climate change issue in Australia, taking an idealistic stance can lead to polarisation, delay and then well-funded obstruction.

I suggest that GDP is the back door to assaulting the neoliberal citadel even though Kate Raworth exhorts that we must become “growth agnostic”. GDP growth is a metric that hides many sins, so politicians and orthodox economists will not readily abandon it. However, in clinging to GDP they will compromise and perhaps allow it to be modified into a seductively useful tool of “Doughnut Economics” design.

The key “Doughnut” diagram identifies transgressions of ecological limits extending beyond an outer circle, and shortfalls in basic needs falling inwards from an inner circle. In a national picture, I suggest that each external sector of environmental damage should be sized on a scale of cumulative GDP loss, and accompanied by an arrow representing the rate of growth of this cost.

A glance at the outer circle will reveal the biggest problems with the fastest growth. The problems can be addressed by measures that are generally cost neutral or revenue positive such as regulation, taxation and trading schemes.

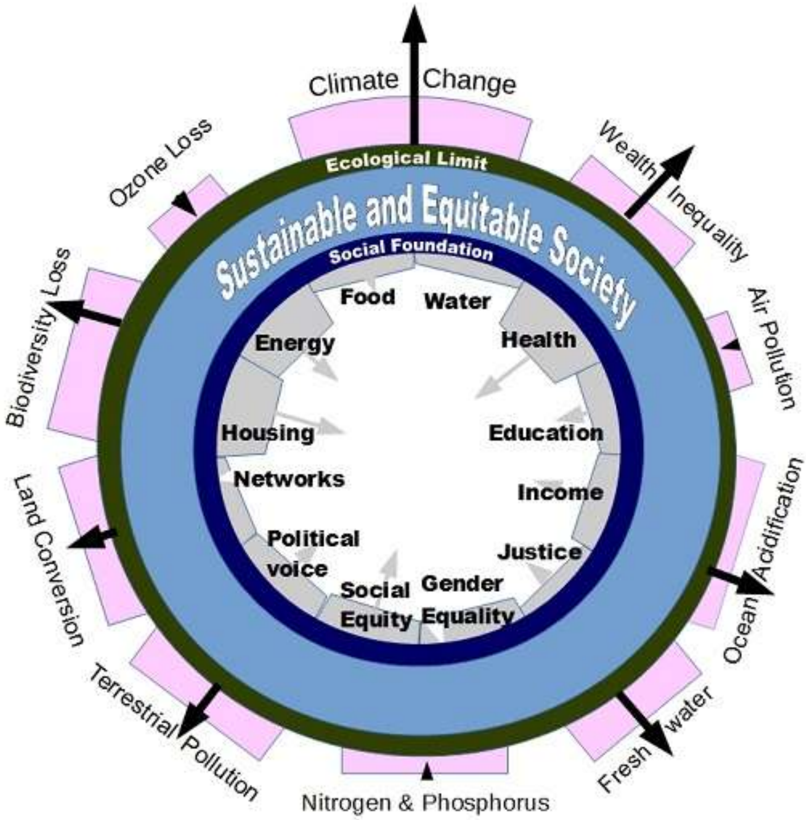
The inner circle of social shortfalls could be quantified through the investment required to redress the problem plus an arrow representing the rate of growth in the shortfall. In this way priorities could be identified for public and private investment.

Though imperfect, this doughnut quantified in terms of GDP greatly simplifies budgetary choices in a schematic easily presentable to the public. Bureaucrats would be drawn to this compass, and neoliberal economists could see it as an escape route from failing theory. In this time of burgeoning fringe parties, the centrist politicians would find powerful cachet in an approach which gives voters a sense that the important problems are being addressed and improvements will come.

I strongly argue that an external sector should be added for “Wealth Inequality”. Humans are a key part of the ecosystem and over-exploitation of that ecosystem is largely driven by unequal wealth. The main tools to address the problem are progressive taxation and regulation. The doughnut's "Social Equity" sector in the inner ring is an entwined problem, but belongs in the inner circle of investments to improve opportunity and access. While the Gini index yields a ratio of wealth inequality, to maintain comparison with the other sectors of the doughnut the cost must be measured in dollar terms of such things as unemployment, underemployment, property crime, policing, housing inflation, recurrent social security costs etc.

For those still wedded to a single GDP figure, they could use Net GDP after the costs of the inner and outer circles are subtracted. Net GDP can grow even if gross GDP does not, and society would learn to become "growth agnostic". In countries where GNI is the dominant economic metric it could be applied instead of GDP. The point is that if "Doughnut Economics" is to succeed it must subvert and seduce the dominant paradigm since waiting for a neoliberal surrender will likely invite dismissal or overwhelming counterattack.

A Doughnut Tool



Comments from Elinor Hurst

This article would have profited from a brief explanation of what the "doughnut" is at the start, before plunging into a critique.

In regard to assessing so-called GDP loss, there are massive problems in attempting to do this. For example, how does one cost the loss of biodiversity? Or microplastics and other residual pollutants? This is why the GPI was developed, which is a more mature concept. However even GPI does not take into account planetary limits, which is the key significance of the outer boundary of the doughnut.

Also it is unclear why the author is insisting on revenue neutrality. This feature is not essential, and needs to be justified if it is going to be included.

The author argues that an external sector should be added for "wealth inequality". However this is a social indicator which only indirectly leads to ecological damage. And so placing it in the outer ring could be confusing.

The author also says that net GDP could be used after the costs of the inner and outer circles are subtracted. This is exactly what the GPI is designed to do, which should be acknowledged.

Comments from Assoc Prof Philip Lawn

Although I like much of what Kate Raworth says in her book, I don't think the doughnut diagram adds a lot to what has already been shown by other indicators.

The diagram is designed to show the symptoms, not the causes. I agree with the other reviewer that wealth inequality should not be on the outside even though I agree with the author that inequality drives a lot of environmental damage. It should be on the inside. In fact, you could argue that failure to deal adequately with all aspects inside the doughnut can be a cause of environmental damage. Why single out wealth inequality?

I agree with Elinor Hurst about the revenue factor, which I presume means the revenue generated by the government. This is irrelevant if the central government issues the national currency and therefore has no fiscal constraint. The author's statements reveal a lack of understanding of modern monetary theory.

I agree with the author about the role of power interests in maintaining the status quo. I disagree with the view that one should not be idealistic. Idealistic perspectives highlight what is wrong; where we ought to aim; and how we can get there. It is crucial to changing people's views and initiating change from within, which is what the author says is necessary to bring about positive change.

Of course, one cannot expect to jump to an ideal situation overnight. It is therefore just as important to explain how best to make the transition. This is where a job guarantee and other equity measures are important -- they can prevent the most vulnerable from having to pay a cost for the change that is required.

The author has income inside the doughnut. What does he mean by income? GDP? GPI? If it's GDP, then more of what is supposed to make us better off is a driving force behind many environmental damages. It should be the GPI. Perhaps 'income' should be replaced with 'economic welfare'. The GPI measures economic welfare, which recognizes the costs as well as the benefits of economic activity.

I don't like the idea of costs being measured in terms of GDP losses. The Stern Review on climate change did something similar. I believe the impact of ecological overshoot should be measured in terms of its effect on the GPI, which I talk about in my climate change book. Having said this, ecological sustainability is about avoiding the transgression of planetary boundaries, and has nothing to do with costs. Measuring the cost of environmental damage is required to calculate the GPI. Only the biophysical indicators can inform us about whether we are operating sustainably or not.

It is very difficult to precisely measure the costs of environmental damage, but these costs are also estimated when calculating the GPI. Better to include an imprecise estimate of the environmental costs than to ignore them altogether

Trump's trade war and the option of 'fair' rather than 'free' trade

Steven Hail

Instead of leading the world and insisting on trade deals that are fair for all, Donald Trump has chosen to pick an unnecessary neoliberal "free trade" fight - which is likely to have unforeseen negative consequences.

image via pixabay.com

President Trump has started a trade war.

He has done so in defiance of his own political party, the advice of almost all economists and conventional wisdom.

He says he is doing this to protect American jobs.

His opponents point out that by increasing the domestic cost of steel he will be raising costs across manufacturing industries in the U.S. and provoking America's trading partners into retaliation. This would mean that every job saved in the steel industry – a highly capital intensive industry which will not create many jobs if it expands in any case – might cost several jobs elsewhere in the economy.

Many economists talk with the horror of old-time preachers, denouncing sin of evil distortions to divine principle of free trade. References to recession abound - and it can only be a matter of time before people start to talk of the "beggar-my-neighbour" policies of the 1930s, of a threat to the world order and to America's position in the world. Even the great oracle known as the stock market has sounded an alarm.

All a bit over the top. And yet, President Trump's stance is both unnecessary and likely to have economic and political consequences that neither he nor his advisors have envisaged. It is unnecessary because there are far more effective ways of protecting the well-being of American workers, reducing U.S. inequality and giving millions of Americans a better quality of life. There is no need to slap tariffs on imported steel, or cars or other goods to do that.

It is not the trade deficit which is the cause of U.S. inequality and economic insecurity. The U.S. did not and does not need to start a trade war. Don't get me wrong, I disapprove of recent free trade agreements, with their investor-state dispute settlement mechanisms. I believe all such mechanisms should be scrapped - each and every one of them.

I also believe that countries should be forced to end child labour, ensure basic environmental and ecological protection, guarantee legal minimum wage rates at some ratio of their income per head, ensure worker safety and extend trade union rights to all, as a price of admission into free trade agreements.

But the notion that you need to have a trade surplus, or balanced trade, or at least avoid a trade deficit to achieve full employment is wrong. The idea that a trade deficit "destroys jobs" is wrong.

An appropriate fiscal stance, with a job guarantee to ensure government net spending is at the right level and a high social wage and excellent working conditions within that job guarantee, backed up by a tax system to ensure that neither the command of economic resources nor political power can ever be centralised, is what is needed.

Tax the rich to limit their power and their consumption - not because we need their money. We don't.

Negotiate trade deals to protect the environment and workers' rights around the world — not because we need a trade surplus to provide jobs. We don't.

The free trade deals that are in place at the moment do need to be rewritten. President Trump is right about that. But they need to be rewritten to guarantee human rights and environmental protection worldwide. They need to be re-written to create a different and more civilised basis for global economic relations in the mid-21st century, than the neoliberal relic of late 20th Century delusions and ideological bias that we have today. They need to be rewritten to allow us to achieve rapidly and fully the 169 targets and 17 sustainable global development goals agreed at the United Nations in 2015.

Let’s list those United Nations goals:

Sustainable Development Goals

Goal 1. End all poverty everywhere;
Goal 2. End hunger, achieve food security and improved nutrition and promote sustainable agriculture;
Goal 3. Ensure healthy lives and promote well-being for all at all ages;
Goal 4. Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all;
Goal 5. Achieve gender equality and empower all women and girls;
Goal 6. Ensure availability and sustainable management of water and sanitation for all;
Goal 7. Ensure access to affordable, reliable, sustainable and modern energy for all;
Goal 8. Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all;
Goal 9. Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation;
Goal 10. Reduce inequality within and among countries;
Goal 11. Make cities and human settlements inclusive, safe, resilient and sustainable;
Goal 12. Ensure sustainable consumption and production patterns;
Goal 13. Take urgent action to combat climate change and its impacts*;
Goal 14. Conserve and sustainably use the oceans, seas and marine resources for sustainable development;
Goal 15. Protect, restore and promote sustainable use of terrestrial ecosyst-ems, sustainably manage forests, combat desertification, halt and reverse land degradation, halt biodiversity loss;
Goal 16. Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels;
Goal 17. Strengthen the means of implementation and revitalize the global partnership for sustainable development.

If these goals – which are supposed to be on the agenda for 2030 – are to be met appropriately, every bilateral and free trade agreement in the world needs changing, as does the World Trade Organisation agreement, alongside worldwide national economic priorities and policies.

The American president – whoever he or she happened to be at this point in history – could be leading the world, insisting that all trade deals conform with the sustainable development goals, campaigning to end poverty, maintain ecosystems and build a peaceful world — rather than picking a fight over the U.S. trade deficit.

Instead, this American President has picked a fight for entirely the wrong reasons – which he didn’t need to have – and which is liable to have unforeseen and negative consequences for the very people he claims he is defending: ordinary American workers and their families.

Source: Independent Australia, 5 Mar 2018
https://independentaustralia.net/politics/politics-display/trumps-trade-war-and-the-option-of-fair-rather-than-free-trade,11262

You can read more by **Dr Steven Hail** at erablogdotcom, and also follow him on Twitter @StevenHailAus, as well as on Facebook at Green Modern Monetary Theory and Practice.

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Every time you spend money, you are casting a vote for the kind of world you want.
- Anna Lappe

Bank income and spending - Part 2

John Hermann

It would be helpful to amplify various points on this topic made within the previous issue. Under the heading "Bank equity is not money" a distinction was made between bank financial assets and bank equity (neither of which are money, as used in the real economy). The financial assets of a bank are its reserves, investment securities and loan securities. As mentioned, the investment and loan securities are also liabilities of the borrowers and/or security issuers. However in practice the aggregate of these bank assets is not matched by the aggregate of bank liabilities (bank equity is defined to be a measure of that mismatch).

I will give an example of why it is not possible, on a bank's balance sheet, to match a specific asset with a specific liability, even if that liability was created in conjunction with the creation of an asset. Suppose that a bank (which may be called the lending bank) advances a loan to a retail borrower. In the overall process the lending bank creates a loan security as its new asset, and a deposit of credit money for the borrower as its new liability. However suppose that the borrower now spends some of that money into the economy, entailing transfer of part of the deposit to the custody of another bank. What happens is that the lending bank's new loan security remains unchanged but part of the lending bank's stock of reserves is commensurately transferred to the other bank. It is clear that one cannot talk about a matching of assets and liabilities. All one can say is that the aggregate of the lending bank's assets has been reduced by the same amount as its reduced liability, so that its equity remains unchanged.

Comments from Jamie Walton

One of our readers, Jamie Walton, has commented on a few other points in the first article, As a matter of interest we reproduce his commentary below, along with my responses.

1. JW I've never heard of a bank's "operating account" before - I've never seen it on a bank's balance sheet in annual reports; is it only a notional account? [NB: Former banker John Tomlinson says that banks don't destroy money when bank loans are repaid, they put it into their own account - I don't see that this could be the operating account you describe, but maybe it is another notional score-keeping account in which banks record by how much they have to increase their balance sheet again to replace the loan repaid in order to maintain their market share?]

JH For both banks and nonbank organisations an *operating account* records assets, liabilities and equity, as well as incoming revenues and out-going expenses. For many purposes it can be taken as synonymous with the term *balance sheet*. It differs from a transaction account, in that the entities recorded in it are not necessarily a form of money. Bank equity is not money for the reasons previously stated, while for a nonbank its equity can be (and often is) money. Banks do not undertake retail trading using their financial assets (reserves, loan securities, investment securities).

Tomlinson is correct in a very restricted sense. Banks have no need to actively destroy "money" when loans are repaid, for the simple reason that whenever a retail loan is repaid to a bank the money supply M1 is temporarily reduced - via the accounting conventions. Bank credit money is increased and reduced every minute of the day. It is true that reserves are transferred between banks when retail loans are repaid, however reserves never form any part of the money supply.

JW Yes, it seems that the "operating account" is the entire balance sheet, and when banks engaged in proprietary trading they are using the banks' balance sheet to do it - presumably buying assets by either:
(a) creating deposits to buy assets from their own non-bank customers,
(b) transferring reserves to other banks to buy assets from other banks, or from other banks' non-bank customers,
(c) transferring deposits balances of the bank held with another bank to buy assets from other banks and non-bank customers with deposit accounts at that other bank, or
(d) having some of their deposits at another bank destroyed to buy assets from that other bank.
(It can get a bit more complicated with international transactions, and there are about 4 ways these can be done, often with more intermediate steps, but as I understand it, the mechanics of the 4 options listed above are basically the same)

2. JW You wrote: " a deposit (of credit money) in a bank is not a loan to the bank, as some people have been led to believe, because anything that is borrowed is necessarily an asset of the borrower." This of course makes perfect sense. However, legally, well-established case law has deemed that bank deposits are loans of money by depositors to banks; generally unsecured loans at that, and thus bank depositors are unsecured creditors of banks.

JH I am aware of such legal rulings. The law is an ass at times, and many magistrates (amongst other sectors of society) are simply ignorant of both the accounting reality and the underpinning logic. I would point out that deeming something to be what clearly it is not does not change the reality**.**

3. JW This was based on a scenario where a customer deposited physical cash with a bank. Since banks promise to pay out cash at any time on any demand deposits, it seems that specific scenario has been extended to be the general scenario, and all depositors are deemed to have deposited cash with a bank, regardless of how those deposits were originated. [This seems to also be the mainstream view of economists also, e.g., the much-vaunted Diamond-Dybvig model, which assumes that the (single) bank is waiting for investors to invest illiquid assets with the bank in exchange for liquid demand deposit "contracts" before the bank can in some way make illiquid loans of (something of) long-term maturity (This model has become the basis of mainstream banking theory ever since it was first published in 1983)]

JH When a person walks into a bank building with currency (coins and notes) and asks for a deposit to be made in his/her account, a magical transformation occurs. Upon receipt the currency ceases to be part of the money supply M1 (the aggregate of money held by nonbanks) and is transformed instantly into being part of the bank's currency reserves (which are basically interchangeable with its creditary reserves). The aggregate of the bank's reserves temporarily increases and the money supply remains unchanged because a creditary deposit (of bank credit money) has also been created in the customer's account to counterbalance the loss of currency from M1. This is a transformation, but it should not be thought of as a mixing of reserves and the money supply. That line is never crossed. The reverse process occurs whenever a customer makes a withdrawal and demands to be paid with currency.

JW I agree. The point I was trying to make is that the same physical cash can go from a central bank vault (or Treasury vault, in the case of Treasury coins and Treasury notes) to a bank vault to a bank customers' wallet, and back again (proposals for government-issued digital tokens, e.g., in China, can enable the same thing to be done digitally, possibly all on one ledger). Also, in the U.S. there are about 250 non-banks that have accounts at the central bank, including financial market utilities such as the DTC (not that long ago, central bank staff had accounts with central banks). There is a movement in Europe to allow anyone to have accounts at the central bank, e.g., in the Netherlands (where they got a unanimous vote for it in Parliament), and many/ most big companies, e.g. Siemens, have their own banks so they can have accounts at the central bank (although usually unstated, my understanding from investigation is that it's because they don't trust the solvency of the big commercial banks, and want to avoid a "bail-in" of their funds by having their funds held at central banks (which, presumable, won't have to do a "bail-in" of reserves)). (Hopefully, this will all tend to lead to the system being reformed sooner rather than later.)

4. JW You wrote: "Reserves held by commercial banks are not part of the money supply, and neither are they interchangeable with bank credit money". However, "cash held in bank vaults and tills (or currency reserves)" is interchangeable with bank credit money (and central bank credit money).

JH The statement that I made immediately above can be summed up in the following:
(a). Bank credit money is interchangeable with currency held by nonbanks.
(b). Currency held by banks is interchangeable with reserves.
(c). Bank reserves (including bank currency reserves) are not interchangeable with the money supply.

If (c) were not the case, then nonbanks would have access to reserve deposits (i.e. they could have central bank accounts) and banks would be able to lend out their reserves. But this is currently not the case. That is, banks at this point in time do not lend out their reserves to their retail customers, they only lend out newly created bank credit money. The reserves tag along with bank credit money with every transaction involving banks, without mixing.

- -

We are often told we are materialistic. It seems to me, we are not materialistic enough. We have a disrespect for materials. We use them quickly and carelessly. - George Monbiot

To simple people it is indubitable that the nearest cause of the enslavement of one class of men by another is money. They know that it is possible to cause more trouble with a rouble than with a club; it is only political economy that does not want to know it.
- Leo Tolstoy, What Shall We Do Then? (1886)

Anyone who believes that exponential growth can go on forever in a finite world is either a madman or an economist." - Kenneth E. Boulding

U.S. Economic trends, ten years after the crash

David Ruccio

"... ten years on, U.S. capitalism has created the conditions for renewed instability and another, dramatic crash."

The economic crises that came to a head in 2008 and the massive response - by the U.S. government and corporations themselves - reshaped the world we live in.* Although sectors of the U.S. economy are still in one of their longest expansions, most people recognize that the recovery has been profoundly uneven and the economic gains have not been fairly distributed.

The question is, what has changed -- and, equally significant, what hasn't -- during the past decade?

Let's start with the U.S. stock markets, which over the course of less than 18 months, from October 2007 to March 2009, dropped by more than half. And since then? As is clear from the chart (Fig 1), stocks (as measured by the Dow Jones Composite Average) have rebounded spectacularly, quadrupling in value (until the most recent sell-off). One of the reasons behind the extraordinary bull market has been monetary policy, which through normal means and extraordinary measures has transferred debt and put a great deal of inexpensive money in the hands of banks, corporations, and wealth investors.

The other major reason is that corporate profits have recovered, also in spectacular fashion. As illustrated in Fig 2, corporate profits (before tax, without adjustments) have climbed almost 250 percent from their low in the 3rd quarter of 2008. Profits are, of course, a signal to investors that their stocks will likely rise in value. Moreover, increased profits allow corporations themselves to buy back a portion of their stocks.

Finally, wealthy individuals, who have managed to capture a large share of the growing surplus appropriated by corporations, have acquired a growing mountain of cash for speculating on stocks.

Clearly, the United States has experienced a profit-led recovery during the past decade, which is both a cause and a consequence of the stock-market bubble.

The economic crash and the second Great Depression, characterized by the much-publicized failures of large financial institutions such as Bear Stearns and Lehman Brothers, raised a number of concerns about the rise in U.S. bank asset concentration that started in the 1990s. Today, as can be seen in Fig 3, those concentration ratios (the 3-bank ratio and the 5-bank ratio) are even higher.

The top three are JPMorgan Chase (which acquired Bear Stearns and Washington Mutual), Bank of America (which purchased Merrill Lynch), and Wells Fargo (which acquired Wachovia, North Coast Surety Insurance Services, and Merlin Securities), followed by the Citigroup (which managed to survive both a partial nationalization and a series of failed stress tests), and then Goldman Sachs (which managed to borrow heavily, on the order of $782 billion in 2008 and 2009, from the Federal Reserve).

At the end of 2015 (the last year for which data are available), the 5 largest "Too Big to Fail" banks held 46.5% of the total of U.S. bank assets.

Moreover, in the Trump administration as in the previous two, the revolving door between Wall Street and the entities in the federal government that are supposed to regulate Wall Street (Fig 4) continues to spin. And spin. And spin.

As for everyone else, they've barely seen a recovery. Real median household income in 2016 was only 1.5 percent higher than it was before the crash, in 2007 (Fig 5)..

That's because, even though the underemployment rate (the annual average rate of unemployed workers, marginally attached workers, and workers employed part-time for economic reasons as a percentage of the civilian labor force plus marginally attached workers, the lower line in Fig 6) has fallen in the past ten years, it is still very high -- 9.6% in 2016. In addition, the share of low-wage jobs (the percentage of jobs in occupations with median annual pay below the poverty threshold for a family of four, the upper line) remains stubbornly elevated (at 23.3%) and the wage share of national income (the middle line) is still less than what it was in 2009 (at 43% - and far below its post-war high (of 50.9%, in 1969).

Clearly, the recovery that corporations, Wall Street, and owners of stocks have engineered and enjoyed during the past 10 years has largely bypassed American workers.

One of the consequences of the lopsided recovery is that the distribution of income -- already obscenely unequal prior to the crash -- has continued to worsen (Fig 7). By 2014 (the last year for which data are available), the share of pre-tax national income going to the top 1% had risen to 20.2% (from 19.9% in 2007), while that of the bottom 90% had fallen to 53% (from 54.2% in 2007). In other words, the rising income share of the top 1% mirrors the declining share of the bottom 90% of the distribution.

The distribution of wealth in the U.S. is even more unequal (Fig 8). The top 1% held 38.6% of total household wealth in 2016, up from 33.7% in 2007, that of the next 9% more or less stable at 38.5%, while that of the bottom 90% had shrunk even further, from 28.6% to 22.8%.

So, back to my original question: what has -- and has not -- changed over the course of the past decade?

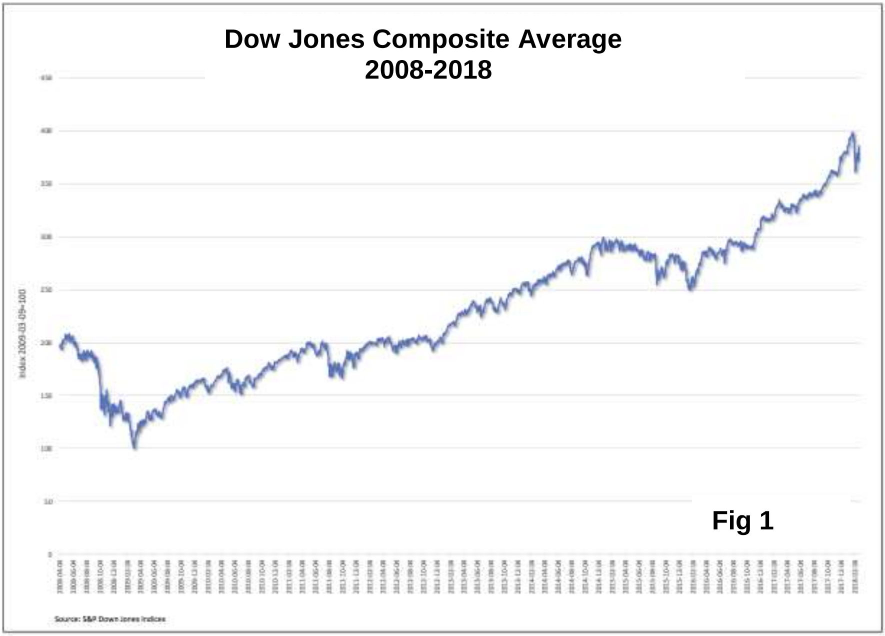
One area of the economy has clearly rebounded. Through their own efforts and with considerable help from the government, the stock market, corporate profits, Wall Street, and the income and wealth of the top 1% have all recovered from the crash. It's certainly been their kind of recovery.

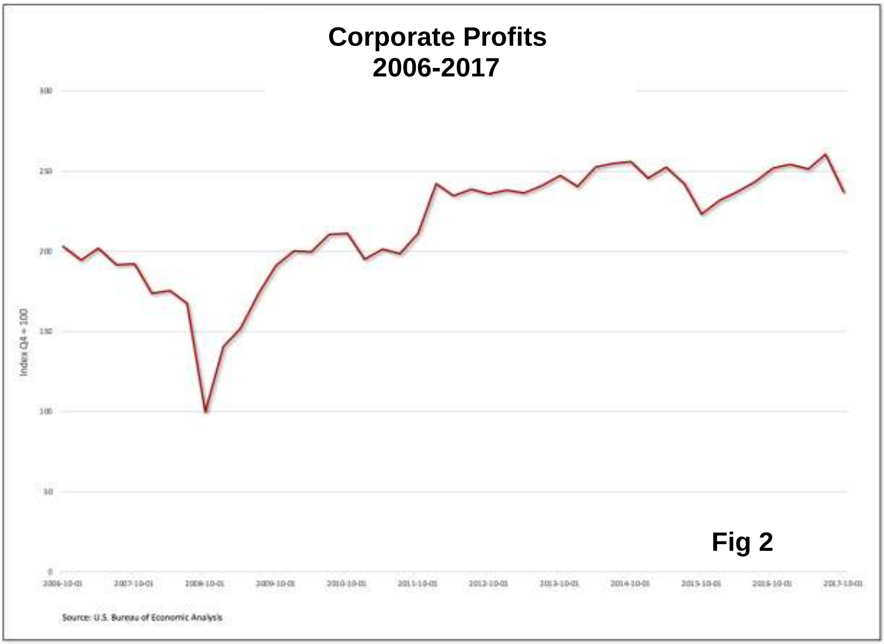
And they've recovered in large part because everyone else has been left behind. The vast majority of people, the U.S. working-class, those who produce but don't gain the surplus: they've been forced, within desperate and distressed circumstances, to shoulder the burden of a recovery they've had no say in directing and from which they've been mostly excluded.

The problem is, that makes the current recovery no different from the run-up to the crash itself -- grotesque levels of inequality that fuelled the bloated profits on both Main Street and Wall Street along with a series of speculative asset bubbles. And the current recovery, far from correcting those tendencies, has made them even more obscene.

Thus, ten years on, U.S. capitalism has created the conditions for renewed instability and another, dramatic crash.

Source: Real World Econ Rev, 11 Apr 20018; https://rwer.wordpress.com/2018/04/11/ten-years-after-the-crash-8-charts/#comment-135318





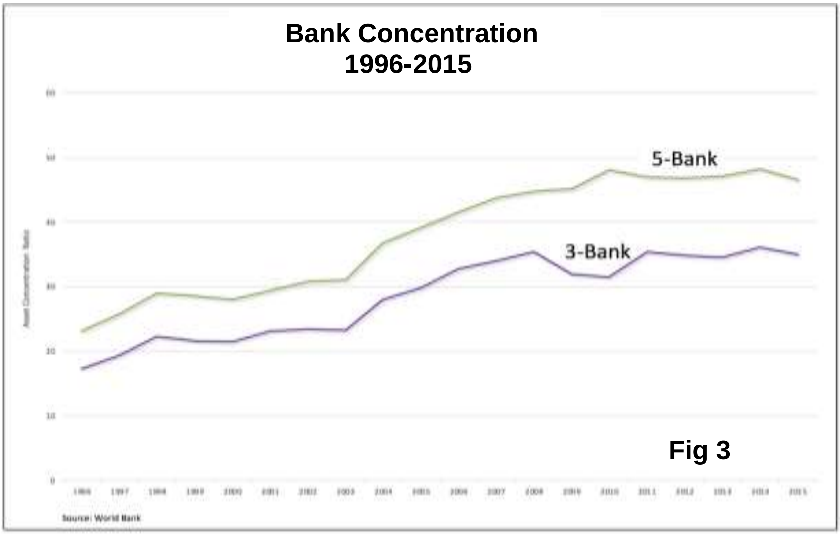


Fig 3

Revolving Door

Jay Clayton
THEN: Partner, Sullivan & Crowell
NOW: Chairman, SEC

Brett Redfearn
THEN: JP Morgan
NOW: Director of Trading and Markets, SEC

Keith Noreika
THEN: Simpson Thatcher
THEN: Acting Comptroller of the Currency
NOW: Simpson Thacher

Joseph Otting
THEN: CIT Bank, U.S. Bancorp, and other banks
NOW: Comptroller of the Currency

Steve Mnuchin
THEN: Goldman Sachs
THEN: OneWest Bank
NOW: Treasury Secretary

Gary Cohn
THEN: Chief Operating Officer, Goldman Sachs
THEN: Director, National Economic Council

Shahira Knight
THEN: Fidelity Investments
NOW: National Economic Council

Dina Powell
THEN: Goldman Sachs
THEN: Deputy National Security Advisor
NOW: Goldman Sachs

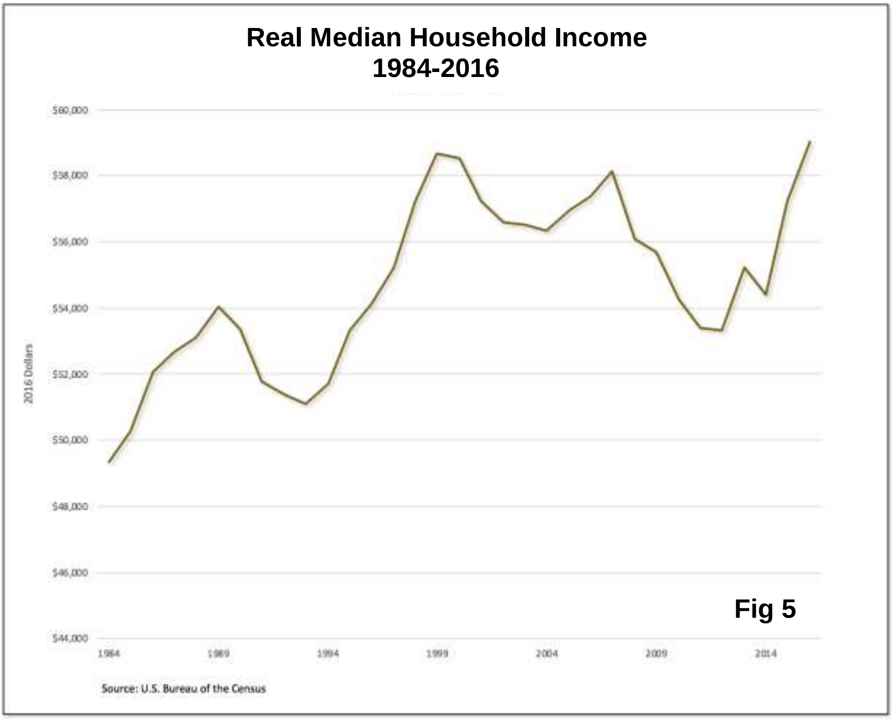
DJ Gribbin
THEN: Managing Director, Macquarie Capital
NOW: Special Assistant to the President for Infrastructure Policy

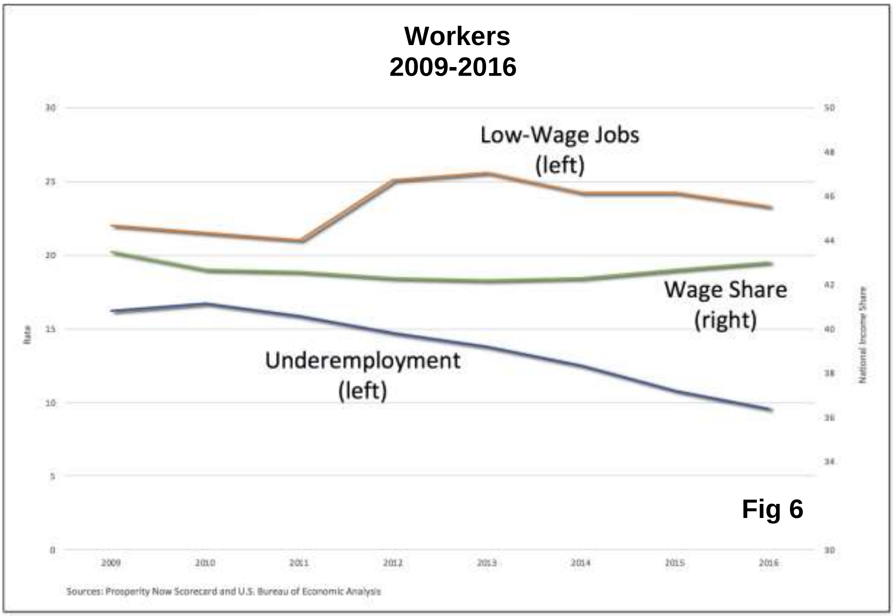
Geoffrey Berman
THEN: Shareholder, Greenberg Traurig
NOW: Interim U.S. Attorney, Southern District of New York

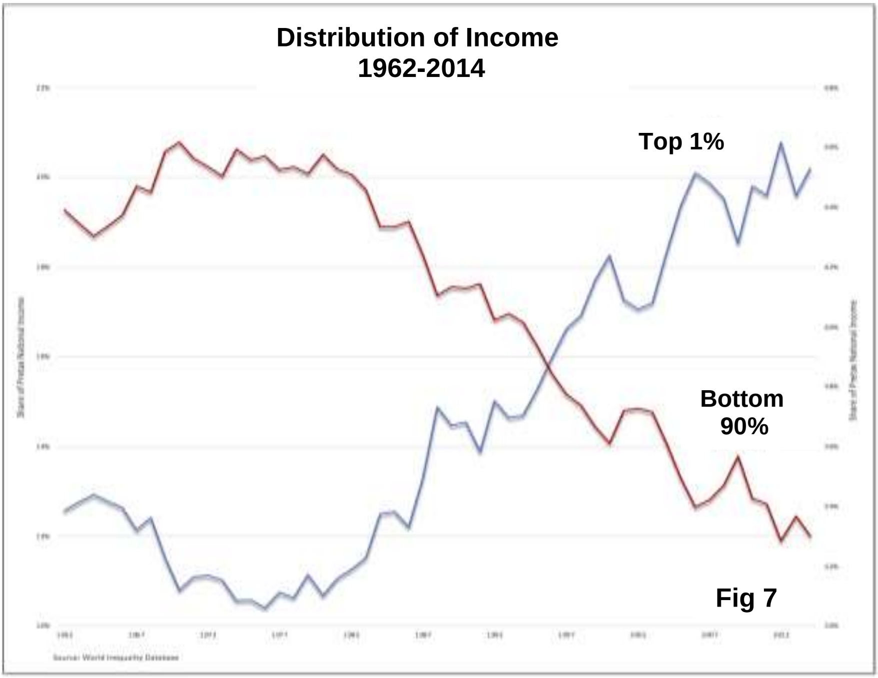
Robert Khuzami
THEN: Lawyer, Deutsche Bank
THEN: Enforcement Director, SEC
THEN: Partner, Kirkland & Ellis
NOW: Deputy U.S. Attorney, Southern District of New York

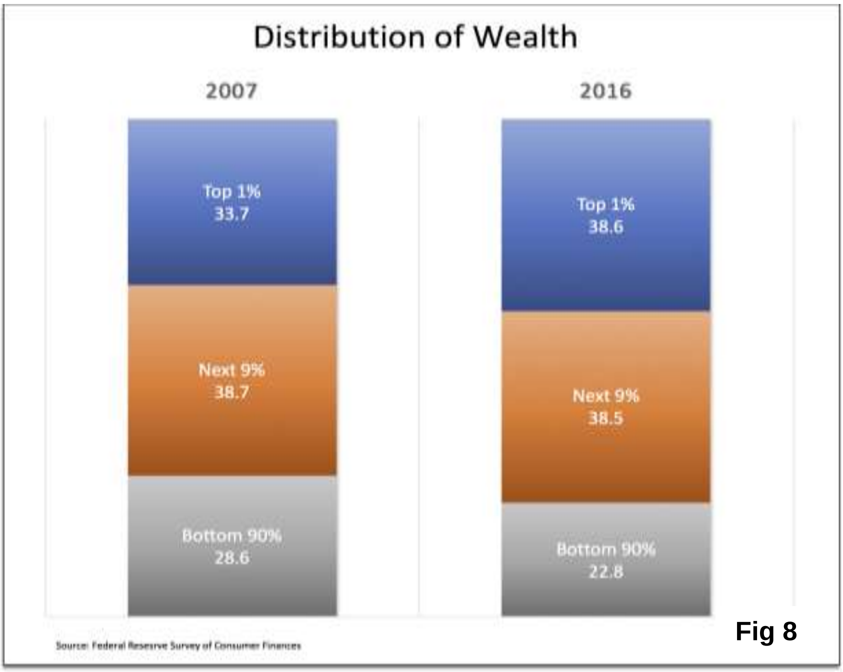
Randal Quarles
THEN: Cynosure Group, The Carlyle Group
NOW: Vice Chairman for Supervision, U.S. Federal Reserve

Fig 4


Real Median Household Income
1984-2016
$60,000
$58,000
$56,000
$54,000
$52,000
$50,000
$48,000
$46,000
$44,000
2016 Dollars
1984
1989
1994
1999
2004
2009
2014
Fig 5
Source: U.S. Bureau of the Census


Workers
2009-2016
Low-Wage Jobs
(left)
Wage Share
(right)
Underemployment
(left)
Rate
National Income Share
2009
2010
2011
2012
2013
2014
2015
2016
Fig 6
Sources: Prosperity Now Scorecard and U.S. Bureau of Economic Analysis


Distribution of Income
1962-2014
Top 1%
Bottom
90%
Fig 7


Distribution of Wealth
2007
2016
Top 1%
33.7
Next 9%
38.7
Bottom 90%
28.6
Top 1%
38.6
Next 9%
38.5
Bottom 90%
22.8
Source: Federal Reserve Survey of Consumer Finances
Fig 8

The Bayer-Monsanto merger is bad news for the planet

Ellen Brown

Source: Flickr cc

Bayer and Monsanto have a long history of collusion to poison the eco-system for profit. The Trump administr-ation should veto their merger not just to protect competitors but to ensure human and planetary survival.

Two new studies from Europe have found that the number of farm birds in France has crashed by a third in just 15 years, with some species being almost eradicated. The collapse in the bird population mirrors the discovery last October that over three quarters of all flying insects in Germany have vanish-ed in just three decades. Insects are the staple food source of birds, the pollin-ators of fruits, and the aerators of the soil.

The chief suspect in this mass extinct-ion is the aggressive use of neonicotin-oid pesticides, particularly imidacloprid and clothianidin, both made by German -based chemical giant Bayer. These pesticides, along with toxic glyphosate herbicides (Roundup), have delivered a one-two punch against Monarch butter-flies, honeybees and birds. But rather than banning these toxic chemicals, on March 21st the EU approved the $66 billion merger of Bayer and Monsanto, the US agribusiness giant producing Roundup and the genetically modified (GMO) seeds that have reduced seed diversity globally. The merger will make the Bayer-Monsanto conglomerate the largest seed and pesticide company in the world, giving it enormous power to control farm practices, putting private profits over the public interest.

As Sen. Elizabeth Warren (D.-Mass.) noted in a speech in December before the Open Markets Institute, massive companies are merging into huge market-dominating entities that invest a share of their profits in lobbying and financing political campaigns, shaping the political system to their own ends. She called on the Trump administration to veto the Bayer-Monsanto merger, which is still under antitrust scrutiny and has yet to be approved in the US.

A 2016 survey of Trump's voter base found that over half disapproved of the Monsanto/Bayer merger, fearing it would result in higher food prices and higher costs for farmers. Before 1990, there were 600 or more small independent seed businesses globally, many of them family owned. By 2009, only about 100 survived; and seed prices more than doubled. Reining in these powerful conglomerates is more than a question of economics. It may be a question of the survival of life on this planet.

While Bayer's neonicotinoid pesticides wipe out insects and birds, Monsanto's glyphosate has been linked to over 40 human diseases, including cancer. Its GMO seeds have been genetically modified to survive this toxic herbicide, but the plants absorb it in their tissues; and within the humans who eat them, glyphosate disrupts their endocrine system and the balance of gut bacteria, damages DNA and is a driver of mutations including cancers. Researchers, in a study of glyphosates reported in the Journal of Organic Systems in 2014, linked them to the huge increase in chronic diseases in the United States, with the percentage of GMO corn and soy planted in the US showing highly significant correlations with hypertension, stroke, diabetes, obesity, hepatitis C, Alzheimer's, Parkinson's, lipoprotein metabolism disorder, multiple sclerosis, end stage renal disease, acute kidney failure, cancers of the thyroid, liver, bladder, pancreas, kidney and myeloid leukaemia. But regulators have turned a blind eye, captured by corporate lobbyists and a political agenda that has more to do with power and control than protecting the health of the people.

The Trump administration has already approved a merger between former rivals Dow and DuPont, and has signed off on the takeover of Swiss pesticide giant Syngenta by ChemChina. If Monsanto/Bayer gets approved as well, just three corporations will dominate the majority of the world's seed and pesticide markets, giving them enormous power to continue poisoning the planet at the expense of its living inhabitants.

The shady history of Bayer and the petrochemical cartel

To understand the magnitude of this threat, it is necessary to delve into some history. This is not the first time that Monsanto and Bayer have joined forces. In both world wars, they made explosives and poisonous gases using shared technologies that they sold to both sides. After World War II, they united as MOBAY (MonsantoBayer) and supplied the ingredients for Agent Orange in the Vietnam War.

In fact corporate mergers and cartels have played a central role in Bayer's history. In 1904, it joined with German giants BASF and AGFA to form the first chemical cartel. After World War I, Germany's entire chemical industry was merged to become I.G. Farben. By the beginning of World War II, I.G. Farben was the largest industrial corporation in Europe, the largest chemical company in the world, and part of the most gigantic and powerful cartel in history.

A cartel is a grouping of companies bound by agreements designed to restrict competition and keep prices high. The dark history of the I.G. Farben cartel was detailed in a 1974 book titled World Without Cancer by G. Edward Griffin, who also wrote the best-selling Creature from Jekyll Island on the shady history of the US Federal Reserve. Griffin quoted from a book titled Treason's Peace by Howard Ambruster, an American chemical engineer who had studied the close relations between the German chemical trust and certain American corporations. Ambruster warned:

" Farben is no mere industrial enterprise conducted by Germans for the extraction of profits at home and abroad. Rather, it is and must be recognized as a cabalistic organization which, through foreign subsidiaries and secret tie-ups, operates a far-flung and highly efficient espionage machine — the ultimate purpose being world conquest ... and a world superstate directed by Farben. "

The I.G. Farben cartel arose out of the international oil industry. Coal tar or crude oil is the source material for most commercial chemical products, including those used in drugs and explosives. And I.G. Farben established cartel agreements with hundreds of American companies. They had little choice but to capitulate after the Rockefeller empire, represented by Standard Oil of New Jersey, had done so, as they could not hope to compete with the Rockefeller/ I.G. combination.

The Rockefeller group's greatest influence was exerted through international finance and investment banking, putting them in control of a wide spectrum of industry. Their influence was particularly heavy in pharmaceuticals. The directors of the American I.G. Chemical Company included Paul M. Warburg, brother of a director of the German parent company and a chief architect of the Federal Reserve System.

The I.G. Farben cartel was technically disbanded at the Nuremberg War Trials following World War II, but in fact it merely split into three new companies — Bayer, Hoescht and BASF — which remain pharmaceutical giants today. In order to conceal its checkered history, Bayer orchestrated a merger with Monsanto in 1954, giving rise to the MOBAY Corporation. In 1964, the US Justice Department filed an antitrust lawsuit against MOBAY and insisted that it be broken up, but the companies continued to work together unofficially.

In Seeds of Destruction: The Hidden Agenda of Genetic Manipulation (2007), William Engdahl states that global food control and depopulation became US strategic policy under the Rockefeller protégé Henry Kissinger, who was Secretary of State in the 1970s. Along with oil geopolitics, these policies were to be the new "solution" to the threats to US global power and continued US access to cheap raw materials from the developing world. "Control oil and you control nations," Kissinger notoriously declared. "Control food and you control the people."

Global food control has nearly been achieved, by reducing seed diversity and establishing proprietary control with GMO seeds distributed by only a few transnational corporations led by Monsanto; and by a massive taxpayer-subsidized propaganda campaign in support of GMO seeds and neurotoxic pesticides. A de facto cartel of giant chemical, drug, oil, banking and insurance companies connected by interlocking directorates reaps the profits at both ends, by waging a very lucrative pharmaceutical assault on the diseases created by their toxic agricultural chemicals.

Going organic: a Russian approach

In the end, the Green Revolution engineered by Henry Kissinger to control markets and ensure US economic dominance may be our nemesis. While the US struggles to maintain its hegemony by economic coercion and military force, Russia is winning the battle for the health of the people and the environment. Vladimir Putin has banned GMOs and has set out to make Russia the world's leading supplier of organic food.

Russian families are showing what can be done with permaculture methods on simple garden plots. In 2011, 40% of Russia's food was grown on dachas (cottage allotments), predominantly organically. Dacha gardens produced over 80% of the country's fruit and berries, over 66% of the vegetables, almost 80% of the potatoes and nearly 50% of the nation's milk, much of it consumed raw. Russian author Vladimir Megre comments:

" Essentially, what Russian gardeners do is demonstrate that gardeners can feed the world – and you do not need any GMOs, industrial farms, or any other technological gimmicks to guarantee everybody's got enough food to eat.

" Bear in mind that Russia only has 110 days of growing season per year – so in the US, for example, gardeners' output could be substantially greater. Today, however, the area taken up by lawns in the US is two times greater than that of Russia's gardens – and it produces nothing but a multi-billion-dollar lawn care industry."

In the US, only about 0.6 percent of the total agricultural area is devoted to organic farming. Most farmland is soaked in pesticides and herbicides. But the need for these toxic chemicals is a myth. In an October 2017 article in The Guardian, George Monbiot cited studies showing that reducing the use of neonicotinoid pesticides actually increases product-on, because the pesticides harm or kill the pollinators on which crops depend. Rather than an international trade agreement that would enable giant transnational corporations to dictate to governments, he argues that we need a global treaty to regulate pesticides and require environmental impact assessments for farming. He writes:

" Farmers and governments have been comprehensively conned by the global pesticide industry. It has ensured its products should not be properly regulated or even, in real-world conditions, properly assessed .... The profits of these companies depend on ecocide. Do we allow them to hold the world to ransom, or do we acknowledge that the survival of the living world is more important than returns to their shareholders? "

President Trump has boasted of winning awards for environmental protection. If he is serious about protecting the environment, he needs to block the merger of Bayer and Monsanto, two agribusiness giants bent on destroying the ecosystem for private profit.

Source: Web of Debt blogsite, 4 April 2018
https://ellenbrown.com/2018/04/04/the-bayer-monsanto-merger-is-bad-news-for-the-planet/

This article was originally published on Truthdig.com.

Ellen Brown is an attorney, chairman of the Public Banking Institute, and author of twelve books including Web of Debt and The Public Bank Solution. Her 300+ blog articles are posted at EllenBrown.com.

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Once you realize that trickle-down economics does not work, you will see the excessive tax cuts for the rich as what they are -- a simple upward redistribution of income, rather than a way to make all of us richer, as we were told. — Ha-Joon Chang

Recent revelations from the banking royal commission

Editor

Heavy penalties are on the table for banks caught lying and taking fees for no service

Angry customers want jail for bankers, as well as better banking practices (LUIS ASCUI/AAP)

An article in the Jan-Feb issue of ERA Review [1] expressed pessimism about whether the terms of reference and duration of the current Royal Commission into the operation of the financial system will achieve the reforms that are needed. Apart from the issue of the necessary reforms, the very recent revelations of wrongdoing by big financial corporations also raises the issue of the likely penalties for their misbehaviour.

According to a recent article in *The Conversation* by Dimity Kingsford Smith and Alex Steel [2], both ASIC (the Australian Securities and Investment Commission) and the Director of Public Prosecutions will have no lack of evidence to pursue civil penalties and criminal cases.

What AMP and CBA did

Ref 2 states the situation succinctly:

" AMP and CBA have admitted they failed to provide information and report breaches to ASIC as required by the Corporations Act. Misleading Australian government agencies is also a criminal offence under the Act and the Commonwealth Criminal Code.

" As well as dealing truthfully with ASIC, all entities licensed to offer financial services must act “efficiently, honestly and fairly” and take reasonable steps to ensure their employees do likewise.

" It is not hard to see how taking clients’ money without providing a service is not efficient, honest or fair. "

Civil penalties could involve disqualification for up to 20 years as a corporate officer and/or a large fine running to hundreds of thousands of dollars. Officers of a corporation are duty-bound to act with diligence and care in the company's best interests, and to behave honestly. An intention to cause the corporation to break the law cannot be in the corporation's interests.

For more general offences, criminal penalties could range from 12 months in jail for misleading ASIC to significant penalties for conspiracy to defraud.

Policy under neoliberalism

In a recent article within the Crikey business section by Bernard Keane [3], attention has been drawn to deeper issues about policymaking in Australia than just flaws in the structure of the finance industry. According to Keane, understanding banks' systematic ripping off of customers and their equally systematic role in trying to hide it from the regulator, as purely the result of individual venality and a corporate structure that incentivised it, can lead to treating the symptoms rather than the causes. He concludes:

" Market concentration (giving greater power to companies), learned helplessness by government (weak regulation), the distortion of policymaking by corporate interests (political donations), the use of carefully contrived but notionally objective evidence ("independent reports" that are far from independent), are all features of how we've been doing economic policy under neoliberalism. They're all *features* of our policy-making process, not flaws. Only the reforms aimed at addressing that process will achieve genuinely systemic change."

Contempt for the regulator

Another recent article in the Crikey business section by Bernard Keane and Glenn Dyer [4] reveals how utterly contemptuous of the ASIC Australia's biggest financial firms can be. According to these authors:

" AMP evidently thought nothing of lying to ASIC. As teased out at yesterday's hearing, AMP lied to ASIC over 20 times about charging fees for no service — in particular, trying to convince the regulator it was just an "administrative error" rather than what it was: a deliberate policy undertaken by senior management in full knowledge it was against the law. They even initially lied to the victims when they decided to refund some charges.

" The reason some of the most senior people in AMP did this is because they were totally unafraid of ASIC, which lacks both the punitive options to make companies and individual executives and directors fear its wrath, and the willingness to use them. Despite the stunning revelations that had emerged from the royal commission so far, ASIC's new chairman, James Shipton, appointed by (the Federal Treasurer) Morrison, is still talking about letting major financial corporations fix their own culture, while the regulator will merely "stand ready" to act. There's no point in giving a wet lettuce-wielder like Shipton more power if he's simply not interested in using it. "

And lastly, the authors conclude:

" The regulator needs to be able to come after the likes of AMP and the big banks with billion-dollar fines and the threat that executives and board members could wind up doing a stint behind bars if they're not forthcoming to investigators. And it needs a chair and executive willing to use such powers. "

1. ERA Review, vol 10, no 1, pp 26-28
"Latest financial inquiry will fall short of what is needed".

2. The Conversation, 19 April, 2018
"Heavy penalties are on the table for banks caught lying and taking fees for no service"
https://theconversation.com/heavy-penalties-are-on-the-table-for-banks-caught-lying-and-taking-fees-for-no-service-95210?

3. Crikey, 19 Apr 2018
"The royal commission isn't exposing flaws in the system - this IS the system*
https://www.crikey.com.au/2018/04/19/flaws-exposed-in-banking-royal-commission-are-systemic/

4. Crikey, 18 April 2018
"AMP treated the corporate regulator with contempt - understandably"
https://www.crikey.com.au/2018/04/18/amp-treated-the-corporate-regulator-with-contempt-understandably/

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