

The Big Picture

Issue 12
18th October 2008

"News to use & amuse"



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Verbal clues

Kevin Rudd, after returning from the US, described the financial crisis as like '*an ongoing security crisis*'. He also stated that the crisis had '*entered a new phase*' but he didn't specify what the 'new phase' actually was.

Now his 'security' statement is interesting because Kevin Rudd has no experience of an '*ongoing security crisis*'. Why would he compare the current economic collapse to something of which he had no experience?

It's a fair bet that he's done this because someone else, who Rudd respects, or feels subservient to, has made this comparison. Since Rudd is just back from security central, a.k.a. the jolly old US of, so it's also a fair bet that he picked the comparison up there, possibly from George, Dick or Henry.

Next we might wonder why such a comparison has been made. I'd suggest the reason is that the Bush administration hopes to use their various anti-terror laws to 'control' their own population and others and have put it about to their various acolytes that this is the most effective way forward, so that they can rely on close control of all 'democratic' countries i.e. those where the populations aren't totally submissive (yet).

The effect is rather like the UK using anti-terror legislation to freeze moneys going to Icelandic banks.

Next we might work out what aspects of security laws might be used to 'control' the financial crisis.

Here the government has a whole range of ways to 'crackdown' on dissident members of the population (e.g. those who lose their homes and/or savings). They can imprison journalists, round up difficult populations (insurgents), freeze bank accounts and imprison people without charge.

It's therefore possible that the 'new phase' that he refers to is where governments become more dictatorial, less responsive to citizen difficulties and begin to work together to create a 'co-ordinated global approach', which could be code for a world government – run by white people and dominated by the US of course.

That would define the current crisis as an 'opportunity' under the [shock doctrine](#) approach described by Naomi Klein which implies an opportunity to further demonise supposed enemies, reduce citizen rights and services, give more public money and power to large corporates, increase government powers and so on.

"The idea of suspending the markets for the time it takes to rewrite the rules is being discussed," Berlusconi said today after a Cabinet meeting in Naples, Italy. A solution to the financial crisis ``can't just be for one country, or even just for Europe, but global." [Bloomberg](#)

Of course, there is still the question of how to dispose of the massive debt burden of the US, along with Britain and Australia. One possibility is to share it around as many countries as

possible – to even up the load, perhaps via a NATO structure.

Such ideas are consistent with the goals of US policy as espoused by the likes of Brzezinski through NATO...

«Therefore NATO must develop an information strategy that serves three objectives simultaneously. It must persuade the world that NATO is a force for good. It must move before its adversaries start to disseminate their information : that is, NATO must impose its domination in public relations. It must win the hearts and minds of the inhabitants of the NATO countries (convince them that the Atlantic alliance's position is a correct one), but also the hearts and minds of the populations where the armed intervention is taking place.» [ICH](#)

Where this will all go is anyone's guess, but it's interesting to have something other than the official propaganda.

Rudd's started in a useful direction by returning some of our taxes to some of the poorest in our society. Given the magnitude of waste created by governments in this country, there's a very long way to go.

You can check out the Russian view of the situation at the end of this newsletter.

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More on the crisis

Colin Twigg's [investment news](#) says...

Fed hints about further rate cuts remind me of Will Rogers observation about Congress: *This country has come to feel the same when Congress is in session as when the baby gets hold of a hammer.* Artificially low interest rates got us into this mess. So the Fed's proposal to fix it is to — you guessed it — cut interest rates. This is a road to nowhere.

It should be clear that the same thinking/people that put our global financial system into crisis, are hardly the best people to tell us how to get out of it. They are good at lining their own pockets but that's not what most of us are looking for.

Greed or...

Kev0 and [others](#) like to allocate the blame for our current economic problems as being due to 'greed'.

How long have we humans known that we need to control our greed? Is this something that's come up somewhere in our past?

I suggest that we've always known that greed is a problem, and that we've entrusted governments to create and maintain systems to ameliorate the worst effects of such human foibles.

Our governments have failed us spectacularly. Instead of acting in the public interest, they have acted in their own interest and in the interests of favoured groups. In doing so, they have exposed us all to economic catastrophe, food and water shortages, systemic health and social problems amongst others.

They have not only failed to control greed and corrupting practices, they have actively encouraged them. From allowing the finance industry to be unregulated, to creating exemptions for favoured industries (e.g. forestry) to sales of public property without tender to filling jobs without advertisement.

Our governments have revealed themselves to be lazy and incompetent.

"The problem in Tasmania is...of impropriety and incompetence; this would be best tackled by a new Ethics and Misconduct Commission such as the Premier has proposed," Mr Burch said. [Mercury](#)

Much of our problem with climate change and health are also due to [cross subsidies](#) and dysfunctional policies on food. A calorie of fossil fuel produced 2.3 calories of food in 1940. With modern government inspired methods, that equation has converted into 23 calories of fossil fuel to produce 1 calorie of food in the present day. Brilliant.

Instead of posturing and pointing the finger, our governments should be actively looking to improve their own performance and correcting the gross inefficiencies and waste that result from their policies and practices.

We'll know real leadership when someone takes on that critical challenge. Only by reforming government can we reform our social and business systems.

10,000 jobs go as crunch hits UK public sector

Oct 15 2008 © The Times

Nearly 10,000 jobs are to be lost and up to 100 courts could close as budget cuts hit the public sector.

The Times has learnt that more than £900 million must be saved at the Ministry of Justice in the next two years, threatening initiatives that include Gordon Brown's programme to tackle knife crime. The news comes as figures revealed that inflation hit a 16-year high of 5.2 per cent last month, driven by soaring gas and electricity bills.

Analysts predict that the spike will also blow a £3 billion hole in Britain's welfare budget because the annual increase in pensions and benefits is pegged to the September figures. With most experts forecasting that unemployment will exceed government estimates, the bill for welfare payments is almost certain to rise further.

A confidential presentation made to officials by Suma Chakrabarti, Permanent Secretary at the Ministry of Justice, detailed the savings required from the department 18 months after it was set up. They include the loss of 9,891 jobs in the prison, probation and court services – more than a tenth of the workforce – with one in three coming through redundancies. These cuts, along with a freeze on new recruits or the use of agency staff, could lead to the closure of up to 100 courts.

The presentation also showed that £1 billion of policy initiatives are in jeopardy, including the Prime Minister's pledge for an independent commissioner for victims of crime, and a £100 million drive to address teenage gang violence. There are also plans to charge immigrants for deportation appeal hearings and to halve the legal representation at court hearings over the future of children.

The cutbacks planned for the Ministry of Justice offer the first sign of the impact that the credit crunch and rising inflation will have on public services. The department was planning savings; however, the extent of predicted cuts – forced in part by increased pressure on prisons and global financial turbulence – is being revised.

The Department for Work and Pensions, which has been given a budget cut of 5.6 per cent over three years in real terms, has announced 12,000 more job losses on top of 30,000 posts that were originally due to disappear. Revenue & Customs has announced 12,000 job cuts on top of the 17,500 lost so far, while the Home Office and the Communities Department are also expected to produce drastic plans to reduce staff and cut spending.

Mark Serwotka, the general secretary of the Public and Commercial Services Union, said the cuts confirmed "our worst fears", adding: "Banking bail-outs should not be at the expense of public services. The Government has got to realise that further cuts will not only stop the wheels of justice turning but have an impact on the economy."

A spokesman for the Ministry of Justice conceded that a £1 billion package of savings was being drawn up. The details would focus on "reducing overheads, removing duplication and increasing efficiencies in order to prioritise frontline services".

In case you missed it

Financial mess

Strap yourself in for an economic big dipper ride [TheAge](#)

Could interest rates hit zero? [CourierMail](#)

Budget surplus under threat as spending cuts loom [CourierMail](#)

In crisis, old wisdoms come to the rescue [TheAge](#)

Retirees warned of enormous stress to come [TheAustralian](#)

Governance, fear, economy

Former adviser airs Kons cover-up claims [Mercury](#)

Now PM wants to rule the world [SMH](#)

\$5 million SA tech project canned [Australian](#)

Key witness slips probe (Hornsey) [Mercury](#)

Top cop on secrets charge [Mercury](#)

Business delivers grim report card [SMH](#)

Rudd's radical reform [TheAustralian](#)

Former advisor aris Kons cover up claims [Mercury](#)

On His Master's Service (Rudd Chief of Staff) [SMH](#)

Education revolution & housing

Universities hit by financial crisis [TheWest](#)

Forestry

Gunns plan hits another obstacle [TheAustralian](#)

Climate & environment

Oil giant ExxonMobil lobbies for buffer from ETS [Australian](#)

Britain ramps up action on carbon [Australian](#)

Food/water

Recommended - A letter to the US president [New York Times](#)

Health

800 Nurse shortage delays care [TheWest](#)

Hospital a day from closing over debts [SMH](#)

Why Dubbo has gone to the dogs [SMH](#)

Curing a sick health system [TheAustralian](#)

World

What will US policy be tomorrow? [ICH](#)

“Paranoics are just people with more complete information”

Thnx to Paul de Burgh Day for some links

Anti democratic nature of US capitalism is exposed

Bretton Woods was the system of global financial management set up at the end of the second World War to ensure the interests of capital did not smother wider social concerns in post-war democracies. It was hated by the US neoliberals - the very people who created the banking crisis writes Noam Chomsky².

12/10/08 © "Irish Times" - -- THE SIMULTANEOUS unfolding of the US presidential campaign and unraveling of the financial markets presents one of those occasions where the political and economic systems starkly reveal their nature.

Passion about the campaign may not be universally shared but almost everybody can feel the anxiety from the foreclosure of a million homes, and concerns about jobs, savings and healthcare at risk.

The initial Bush proposals to deal with the crisis so reeked of totalitarianism that they were quickly modified. Under intense lobbyist pressure, they were reshaped as "a clear win for the largest institutions in the system . . . a way of dumping assets without having to fail or close", as described by James Rickards, who negotiated the federal bailout for the hedge fund Long Term Capital Management in 1998, reminding us that we are treading familiar turf. The immediate origins of the current meltdown lie in the collapse of the housing bubble supervised by Federal Reserve chairman Alan Greenspan, which sustained the struggling economy through the Bush years by debt-based consumer spending along with borrowing from abroad. But the roots are deeper. In part they lie in the triumph of financial liberalisation in the past 30 years - that is, freeing the markets as much as possible from government regulation.

These steps predictably increased the frequency and depth of severe reversals, which now threaten to bring about the worst crisis since the Great Depression.

Also predictably, the narrow sectors that reaped enormous profits from liberalisation are calling for massive state intervention to rescue collapsing financial institutions.

Such interventionism is a regular feature of state capitalism, though the scale today is unusual. A study by international economists Winfried Ruigrok and Rob van Tulder 15 years ago found that at least 20 companies in the Fortune 100 would not have survived if they had not been saved by their respective governments, and that many of the rest gained substantially by demanding that governments "socialise their losses," as in today's taxpayer-financed bailout. Such government intervention "has been the rule rather than the exception over the past two centuries", they conclude.

In a functioning democratic society, a political campaign would address such fundamental issues, looking into root causes and cures, and proposing the means by which people suffering the consequences can take effective control.

The financial market "underprices risk" and is "systematically inefficient", as economists John Eatwell and Lance Taylor wrote a decade ago, warning of the extreme dangers of financial liberalisation and reviewing the substantial costs already incurred - and proposing solutions, which have been ignored. One factor is failure to calculate the costs to those who do not participate in transactions. These "externalities" can be huge. Ignoring systemic risk leads to more risk-taking than would take place in an efficient economy, even by the narrowest measures.

The task of financial institutions is to take risks and, if well-managed, to ensure that potential losses to themselves will be covered. The emphasis is on "to themselves". Under state capitalist rules, it is not their business to consider the cost to others - the "externalities" of decent survival - if their practices lead to financial crisis, as they regularly do.

Financial liberalisation has effects well beyond the economy. It has long been understood that it is a powerful weapon against democracy. Free capital movement creates what some have called a "virtual parliament" of investors and lenders, who closely monitor government programmes and "vote" against them if they are considered irrational: for the benefit of people, rather than concentrated private power.

Investors and lenders can "vote" by capital flight, attacks on currencies and other devices offered by financial liberalisation. That is one reason why the Bretton Woods system established by the United States and Britain after the second World War instituted capital controls and regulated currencies¹.

The Great Depression and the war had aroused powerful radical democratic currents, ranging from the anti-fascist resistance to working class organisation. These pressures made it necessary to permit social democratic policies. The Bretton Woods system was designed in part to create a space for government action responding to public will - for some measure of democracy.

John Maynard Keynes, the British negotiator, considered the most important achievement of Bretton Woods to be the establishment of the right of governments to restrict capital movement.

In dramatic contrast, in the neoliberal phase after the breakdown of the Bretton Woods system in the 1970s, the US treasury now regards free capital mobility as a "fundamental right", unlike such alleged "rights" as those guaranteed by the Universal Declaration of Human Rights: health, education, decent employment, security and other rights that the Reagan and Bush administrations have dismissed as "letters to Santa Claus", "preposterous", mere "myths".

In earlier years, the public had not been much of a problem. The reasons are reviewed by Barry Eichengreen in his standard scholarly history of the international monetary system. He explains that in the 19th century, governments had not yet been "politicised by universal male suffrage and the rise of trade unionism and parliamentary labour parties". Therefore, the severe costs imposed by the virtual parliament could be transferred to the general population.

But with the radicalisation of the general public during the Great Depression and the anti-fascist war, that luxury was no longer available to private power and wealth. Hence in the Bretton Woods system, "limits on capital mobility substituted for limits on democracy as a source of insulation from market pressures".

The obvious corollary is that after the dismantling of the postwar system, democracy is restricted. It has therefore become necessary to control and marginalise the public in some fashion, processes particularly evident in the more business-run societies like the United States. The management of electoral extravaganzas by the public relations industry is one illustration.

"Politics is the shadow cast on society by big business," concluded America's leading 20th century social philosopher John Dewey, and will remain so as long as power resides in "business for private profit through private control of banking, land, industry, reinforced by command of the press, press agents

and other means of publicity and propaganda".

The United States effectively has a one-party system, the business party, with two factions, Republicans and Democrats. There are differences between them. In his study *Unequal Democracy: The Political Economy of the New Gilded Age*, Larry Bartels shows that during the past six decades "real incomes of middle-class families have grown twice as fast under Democrats as they have under Republicans, while the real incomes of working-poor families have grown six times as fast under Democrats as they have under Republicans".

Differences can be detected in the current election as well. Voters should consider them, but without illusions about the political parties, and with the recognition that consistently over the centuries, progressive legislation and social welfare have been won by popular struggles, not gifts from above.

Those struggles follow a cycle of success and setback. They must be waged every day, not just once every four years, always with the goal of creating a genuinely responsive democratic society, from the voting booth to the workplace.

¹ The Bretton Woods system of global financial management was created by 730 delegates from all 44 Allied second World War nations who attended a UN-hosted Monetary and Financial Conference at the Mount Washington Hotel in Bretton Woods in New Hampshire in 1944.

Bretton Woods, which collapsed in 1971, was the system of rules, institutions, and procedures that regulated the international monetary system, under which were set up the International Bank for Reconstruction and Development (IBRD) (now one of five institutions in the World Bank Group) and the International Monetary Fund (IMF), which came into effect in 1945.

The chief feature of Bretton Woods was an obligation for each country to adopt a monetary policy that maintained the exchange rate of its currency within a fixed value.

The system collapsed when the US suspended convertibility from dollars to gold. This created the unique situation whereby the US dollar became the "reserve currency" for the other countries within Bretton Woods.

² Noam Chomsky is professor emeritus of linguistics at the Massachusetts Institute of Technology. His writings on linguistics and politics have just been collected in *The Essential Chomsky*, edited by Anthony Arnone, from the New Press.

The American way of life is dead

By Stanislav Mishin © Pravda (!)

October 10, 2008 "Information Clearinghouse" -- The American way of life is dead and like a beheaded corpse, still stumbling around, it has yet to come to that realization that should be obvious to anyone.

The American way of life, a system unsustainable by any stretch of the imagination, was facilitated on two facts: cheap gas and a valuable currency, the currency then morphing into cheap credit.

Since the US signed a deal with Saudi Arabia to value oil only in US dollars, something that happened in 1948, the US dollar has been a powerful currency, quickly rising to the level of the world reserve currency. As soon as all nations needed the dollar to purchase oil, there seemed to be no end as to how many dollars could be printed and what first the US government and then the ever down sized taxpayer, could afford...just add the cheap credit.

Godless consumerism never really took off the way it did until Nixon took the US off the gold standard in 1973. From then to now, there was no stopping it. Add to this, the cheap gas, partially guaranteed by that God forsaken deal between America and the worst of the worst of the Islamic jihadists, and the far flung suburban life style, with houses packed full of cheap priced and even cheaper quality Chinese goods, was born.

Of course, anyone with half an understanding of reality and economics knew it could not go on forever and so it has come to an end. However, the elite oligarchies of America, must be congratulated that they were able to keep it going for so long. Of course the estimated \$500 Billion in plundered Russian wealth, from the early and mid 1990s, sure did help.

However, the era of the dollar is over and with it US power. The dollar has been in a steady free fall for the better of the past 6 years, faster than the steady decline of the preceding 30 years. How is it, that with a prolonged war, costing close to \$1 trillion, no new taxes have been raised? Well, that's what printing presses are for and why since 2004, the Fed has stopped issuing the M3 report.

Due partially to this dieing dollar, the falling US power that has stopped being able to pressure Arabs into pumping more, increase in demand world wide and the resurgence of Russian industry drinking up their own oil, the price of oil has skyrocketed. It sure does not hurt that the US idiocy of having cake and eating too is still fully in the swing: that would be the plan to be foreign oil independent while not drilling your own oil or to build nuclear power plants.

The era of big spending, large houses, long commutes and giant SUVs and trucks are over. Sure, the contraction back into tightly packed cities and small modest houses, budgeted spending and compact cars will not come over night and it is equally sure that the indebted and breaking US consumer will fight it every step of the way, but it is over.

The first thing to already go is the big trucks and SUVs. Sure there are plenty still on the roads, but sales of new ones are falling fast, actually collapsing out right would be a more proper term. Next, considering the absolute lack of public transportation in most US urban and suburban areas and for that matter the very city centers, next will come the car pooling fad, as smaller cars still eat gas, a commodity still climbing in price.

Sooner or later this will reach a tipping point as well, where even car pooling will no longer work, as incomes will never keep up with inflation. Incomes will further degrade as the cycle of cut backs by suppliers followed by cut backs and layoffs by businesses continues. Fewer hours and less real pay will make the expense of far flung large yards, expensive to heat and cool large houses and high gasoline bills, seem rather infuriating and pointless to support.

A final hit upon the suburbanite will be the high increase in the cost of goods around him. Since rail head are limited and diesel is sailing far ahead of gasoline, the best prices on goods will be those around the inner city, closest to the rail heads. Goods that have to be trucked out to the various far flung stores will bare the price of the fuel that delivers them. Many stores will close driving not only jobs away from the suburbs but also the ability to live comfortably.

As more and more suburbanites return to live in the city, the property they sell will have massive downward pressure on their neighbors' property values. This in turn will force more of their neighbors to equally move out. Would be farmers should take note, perfectly good farm land will be rather cheap to come by...just have to burn off the ply wood massive shacks on it.

Crime will also initially sky rocket, especially in the far flung neighborhoods. The satellite cities that grew up around the big cities will be hardest hit and many will bankrupt as their tax base continues to erode. With bankruptcy will come cut backs in services, to include the police force. Gun rights advocates should take heart as more and more Americans will quickly come to depend on self protection for their sole source of protection.

Large quantities of second hand goods will also come on the market, as people move away from large stuffed houses in the suburbs to smaller, some times much smaller, apartments and houses in the cities. Craig's List, Ebay and garage sale hunters will greatly benefit, at least in the short term.

But there will be massive problems in the cities. Over crowding is the most obvious one. But with little industry, little money and only the service economy to rely on, the cities will be poor, angry and dangerous, as well as over crowded. The country side will become once again lonely and manageable and small towns and villages a lot more inviting. A return to America circa 1920s is more likely.

Illegal aliens take note: not only will American workers compete more directly with you over jobs than any time in the past 50 years, but they will fully view you, and correctly to boot, as the usurpers you are of their livelihood. Illegals' lives are going to get very dangerous and violent.

Tourism will of course suffer, so all those far flung, well developed tourist hot spots, that also happen to be in hurricane paths, will become lonely and decayed. It will become harder and harder for the government to pay for their almost annual rebuilding or even to justify it. Nature will be a big winner in all this.

But one final issue must be faced, the one issue that could easily launch those over packed cities into full scale revolt: veterans. Yes, with bankruptcy of the great big world wide empire, some one million well trained and often enough, well armed, veterans will be returning to the cities where their chances of jobs are slim at best. If they take arms, things in the America of the 2010s will be rather interesting and lively indeed.