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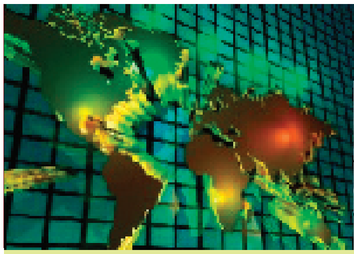


Feature Articles

Carl Teichrib, Chief Editor

Free Enterprise did not Cause the Market Meltdown

By Tom DeWeese
(www.americanpolicy.org)

Editor's Note: I first heard of Tom DeWeese while attending a Sovereignty International conference in 1997. Mr. DeWeese, one of the main speakers at this event, gave an excellent presentation linking the manipulative aspects of environmentalism and education. But Mr. DeWeese has a handle on more than just environmental issues, as is demonstrated in the following article. This piece on economics, used by permission of the author, provides an overview of the problem of central bank/government intrusion within the marketplace – both historically and in our contemporary context.

In this piece Mr. DeWeese puts his focus on the historic role played by the Democrats in formulating the American mortgage crisis, however it must be noted that the Republican Party has done its share in exacerbating economic instability. The bottom line is that whenever politicians, regardless of stripe, interfere in market activities – especially in pursuing utopian social programs – it creates a destabilizing effect. Sometimes this destabilizing reality is immediately evident, at other times it may take years to fully grasp the economic repercussions. As Mr. DeWeese points out: "We are not protected by government intervention – we are damaged by it."

This issue of *Forcing Change* also contains a statement by Congressman Ron Paul regarding economics that, in many ways, dovetails the positions as laid out by Mr. DeWeese. Congressman Paul's text is found at the backside of this publication.

About the Author: Tom DeWeese is the president of the American Policy Center, an education foundation that focuses on promoting free enterprise and limited government. He is also Chief Editor of *The DeWeese Report*. The APC website, which contains numerous articles and resources, is www.americanpolicy.org.

I rarely watch the Sunday morning political shows like *Meet the Press* and *This Week*. What's the point? It's just a gab-fest of the elite pouring out their version of reality, usually surrounding one lone conservative with a panel of liberals, calling it balanced. I've been in that situation too many times to know real facts rarely get through the posturing.

Yet, for some strange reason I found myself watching several of the shows on the Sunday after the market started its meltdown – just after the Bush Administration proposed its bail out plan. I guess I wanted to hear their reactions to an amazing government proposal to take over the free market.

Most telling was George Stephanopoulos' ABC program, *This Week*, and his panel of experts, including Sam Donaldson, Donna Brazile and George Will. Again and again the "experts" invoked the 1929 market crash which brought on the Depression. Herbert Hoover's name seemed to be brought up more times than it was in the 1932 election, when Hoover was defeated by Franklin D. Roosevelt.

This team of financial "experts" faced the cameras with serious voices and stern looks as they told America that the bail out was an absolute must or the economy would collapse. And they made sobering comparisons to the 1929 crash, back in the days before government made the market "responsible and reliable." The horrible images of uncontrolled robber barons running amuck were compared to the genius of the Roosevelt reforms and controls that saved the day. We obviously needed more of the same to fix this current mess which, it was implied by the panel, began in the 1980's when Ronald Reagan de-controlled industry.

You know, one really can't blame the panel too much for getting it so wrong. They were just repeating what they had been taught in college. For decades almost all college students have been taught Keynesian economics which advocates an active roll by government in controlling the market and the idea that we can spend our way out of anything. And so, as the mantra goes, Roosevelt stepped in with massive controls and government programs after Hoover did nothing to protect us from big bad business.

According to the economic experts of our day, the bottom line lesson learned from the Great Depression: Laissez-faire free markets are the road to ruin and must be controlled by government for the sake of the people. And the lesson has been learned all over again after that dangerous right-winged radical Ronald Reagan was allowed to once again unleash the money grubbing, heartless princes of greed to bring us all to the brink of collapse, yet again.

Such hogwash. Here's what really happened in 1929 and again today. And it has nothing to do with free markets running amuck. It has everything to do with government messing where it shouldn't be – again.

Cause of the Great Depression of 1929

The Great Depression didn't just happen, and it didn't start in 1929. It started with the creation of the Federal Reserve in 1913. Prior to 1913, private bankers regularly pooled their resources to make money available to other banks and lenders who merited support. Bankers knew that bad loans were an unacceptable risk that could cost them all money, so they didn't do it. They were fiscally responsible. No tax dollars were involved or at risk.

Along came the Federal Reserve and the end to fiscal responsibility. No longer did the private banks have to foot the bill for bad policy. Now it was on the shoulders of government. And so the Federal Reserve proved to be an engine of inflation that crippled our nation's economy. After all, it was just taxpayer money – not the bankers.

Between June, 1921 and June 1929, the nation's money supply increased by 62% (from $45.3 billion to $73.3 billion). Yet as the money supply increased by $28 billion, there was a much smaller increase in bank reserves. The only in-

crease in bank reserves came from the Federal Reserve. In fact, the Federal Reserve controls the money supply by manipulating banking reserves.

The tools the Fed used to manipulate bank reserves in the years prior to the Great Depression were: low rediscount rates, open market purchase of government securities, and extensive purchase of acceptances (credit obligations - loans) – all of which constituted a cheap money policy.

The official reasons for this policy, as provided by the Fed were to "help business," to encourage foreign loans, and to save England from the consequences of its own heavy inflation. First, by easing credit, it was expected that business prosperity could be encouraged and maintained.

Secretary of the Treasury William McAdoo explained the Fed's easy money,

> "The primary purpose of the Federal Reserve Act was to alter and strengthen our banking system that the enlarged credit resources demanded by the needs of business and agricultural enterprises will come almost automatically into existence and at rates of interest low enough to stimulate, protect and prosper all kinds of legitimate business."

Second, foreign loans would supposedly supply the money which those countries could use to buy American goods, particularly agriculture. American agriculture was already in a deep recession, primarily because of passage of the Forney-McCumber Tariff of 1922. The tariff put a high price on European goods to be sold in the US, essentially preventing the sale. That left the Europeans short of cash and prevented them from buying American goods, especially agriculture. So, instead of reducing the tariff, the government in its ever-present wisdom, decided to create shaky loans to provide the money to the Europeans to buy U.S. goods. Again, the American taxpayer was providing the money to run the world.

And finally, Great Britain was losing gold to the U.S. at an alarming rate because of its own destructive cheap money policies. So, incredibly, to save the British from embarrassment, the U.S. began a policy to deliberately debase its own currency. By doing so, interest rates would be forced down and capital balances would be diverted from the U.S. to England. Remember, your government is just here to help you.

Dr. Benjamin Anderson, then economist for Chase Manhattan Bank, wrote in his book, *Economics and the Public Welfare*,

> "The governors of the eleven Federal Reserve banks were called to Washington (in 1927). They were not dealt with honestly. They were told that the proposed cheap money move was to 'help the farmer'. They were not told that the primary purpose of it was to make it unnecessary for England to honor her gold obligations to France and to make it possible for England to continue an unwarranted degree of cheap money..."

US Federal Reserve, Washington, DC

The Chicago Federal Reserve bank didn't want to go along with the scheme and balked, refusing to reduce its (rediscount) rate. But the Federal Reserve Board in Washington overrode Chicago, and by action of the board, not of the bank, the Chicago rate was reduced.

Step by step, by one means or another, in eight years the Federal Reserve System fed the fires of inflation, increasing the money supply by about 62%. The principle barometer was the stock market. It soared to incredible heights. Whenever it threatened to sag, a timely reassurance from the Secretary of the Treasury helped to send the market even higher. In seven years the market had nearly tripled from 108 to 381.

Finally, the Fed began to realize the danger created from flooding the market with cheap money and shaky loans. It timidly tried to reduce the over-abundant credit supply. It was too late. It was October 1929. The market sought to correct itself.

What caused the Great Depression? It was not capitalism or "greedy businessmen" or "under-consumption" or "overproduction." Nor was it "just one of those things." It was government intervention in a place where government should never be – the free market. And the agony was prolonged for a long, painful decade because government kept doing more of the same to "fix" the tragedy that "uncontrolled, greedy business" had created.

Cause of Today's Meltdown

Shift scene to today. The Fed has never learned its lesson. It has never stopped printing money, resulting in its devaluation. That's why for generations, young people have heard their parents talk about how cheaply they could by a candy bar when they were children, but today they cost much more. That's why gas prices in 1965 were 25 cents a gallon, and $4.00 today. It's not a testimony to greedy candy manufacturers or oil companies. Rather it's an indication of how worthless the dollar has become.

Economics 101 teaches that if you have more of something – it's worth less. If you have less of it, it's worth more. The same is true of the dollar. The Fed has printed literally trillions of the things – and flooded the market with them. As the saying goes, "only the government can take a valuable commodity like paper, slap ink on both sides and render it worthless." That is especially true since President Richard Nixon removed U.S. currency from the gold standard in the early 1970's. Since then, there has been nothing on which to base the value of money other than what the Fed says its worth.

Actually, the current crisis can be directly traced back to the 1970's when a bunch of government meddling was put in place, leading to today's meltdown.

First, in 1977, Jimmy Carter fell for the politically correct line that banks were "redlining" loans for inner city neighborhoods, refusing to help the poor buy homes. Of course the banks were just trying to be fiscally responsible by not lending to people who had no money. Such a quaint idea in 1977. Carter, pandering to the Jesse Jackson types, signed into law the Community Reinvestment Act (CRA), which declared that banks have "an affirmative obligation" to meet the credit needs of the communities in which they are chartered. Federal regulators would now rate banks on this basis when merger requests were filed. The CRA rating became more important to banks than the quality of loans. In fact, sound lending practices were considered to be racist.

In 1995, under Bill Clinton, things got even worse. Tougher CRA ratings were issued. Banks now had to demonstrate that they were investing more money in poor, higher risk neighborhoods if they wanted federal approval to merge. Banks started putting their depositor's dollars into the pockets of left-wing agitators like ACORN (Association of Community Organizations for Reform Now), which prided themselves on making loans to those with poor credit and no means to pay. It was only fair that they share in the American dream of homeownership too. The sub-prime borrower was born.

The game was on. The Wall Street Brokerages and investment banks, with the encouragement of federal policy makers, have flooded America with cash. And to get that cash into society, for the common good, lending rules were loosened so that virtually anyone could get a loan, with no money down. It used to be that homebuyers had to have at least a 20% down payment.

But such rules meant that only people with money and the means to pay the loan could get one. Where was the fairness in that? Such an elitist attitude. Prevailing interest rates were also hard for the poor to pay. So that was virtually eliminated too, for at least a few years into the loan. It took less cash to buy a house than to rent an apartment. Buy, buy. Share the American dream. It's "own-a-home a-go-go." Get rich over night. And the stock market soared as the housing industry recorded record profits – or so we thought. It formed a massive bubble – all the way to 14,000 points.

Under the surface, a massive swindle was taking place in the name of profits. Fannie Mae and Freddie Mac were told by their government handlers to record profits. They bought up loans, no matter what quality, to show them on the books. Growth. Success. Incredibly, today, after the government moved in to "fix" the problem at Fannie and Freddie, the new handlers are demanding the same policies – show a profit on the books – which can only result in taking more bad loans.

The AIG Meltdown

Meanwhile, the most credible insurance company in the world, AIG, was making it all seem legitimate. Throughout the world, banks must comply to what are know as Basel II regulations, which determine how much capital a bank must maintain in reserve to protect its depositors. The rules are based on the quality of the bank's loan book. The riskier the loans the bank owns, the more capital it must have on hand. Bank managers seeking a way around the Basel rules to take advantage of the massive amounts of new mortgages being written, found a way through AIG.

AIG offered banks unregulated insurance contracts, known as credit default swaps. European banks especially liked these swaps as a means to maximize the spread between what they must pay for deposits and what they could earn by lending. So AIG wrote a policy that guaranteed the sub-prime loan for the bank against default for five years.

As analyst Porter Stansberry reports, "Although AIG's credit default swaps were really insurance contracts, they weren't regulated. That meant AIG didn't have to put up any capital as collateral in its swaps, as long as it maintained a triple-A credit rating. There were no real capital costs to selling these swaps; there was no limit. And thanks to what is called 'make-to-market' accounting, AIG could book the profit from a five year credit default swap as soon as the contract was sold, based on the expected default rate.

Since, throughout history, prior to this insanity, few loans had ever defaulted, the European banks were able to assure its regulators it was holding only Triple A credits, and AIG was able to post hundreds of millions of dollars in profits that only existed on paper, while never having to post any collateral. Says Stansberry, "An enormous amount of capital was created out of thin air and tossed into global real estate markets."

Then the chickens came home to roost. The Fed, trying to reverse the inflation it had caused by flooding the market with worthless paper money, raised the interest rate. The higher rate also raised loan payments on mortgages. Suddenly, the sub-prime borrowers, who had no money in the first place, began to default on the loans. Banks looked to AIG to honor its insurance policies. But AIG had no money to repair the damage. And so, AIG, the world's largest insurance company, was suddenly downgraded by all of the major credit-rating agencies. And AIG went bankrupt.

Such fraud was repeated by Goldman Sacs, Merrill Lynch, Bear Stearns, and more. For sure these are greedy businessmen – but they could never have carried out such bad policy on their own. A free market never allows such corruption to exist without near instant exposure. Once government intervened in the market and set the rules, a partnership between the financial industry and government was born. It was all fueled by the Federal Reserve, which continued to pump money into the straining system, putting the dollar in a free fall on world markets. These were worthless loans to satisfy politically correct motives, and worthless money to pay for it all.

Today, the pure free market, buried under this mass of government manipulation, is seeking to correct itself. It will fall until it hits a natural bottom and then begin anew.

The bottom line to the story is it wasn't free enterprise that caused the 1929 crash, and it wasn't free enterprise that caused today's meltdown. In both cases it was government intervention corrupting the pure world of free markets. We are not protected by government intervention - we are damaged by it. This is the second time the Fed created a collapse of the free market. To prevent a third there's only one logical action to take – abolish the Federal Reserve. FC

Tom DeWeese is the Chief Editor of *The DeWeese Report*. You can access his commentaries and resources by going to www.americanpolicy.org.

Editor's Note:

The following article is an important reminder of global change via "Perestroika." Often considered a dead philosophy in today's Western culture, Communism – also known as Internationalism – is actually an extremely relevant topic. While this political philosophy seems to have been brushed aside as a footnote to history, the reality is quite different: Communism, under the direction of Mikhail Gorbachev and his "perestroika," passed into a new phase of accepted "global socialism" (See Anatoliy Golitsyn's book, *The Perestroika Deception*, published in 1995).

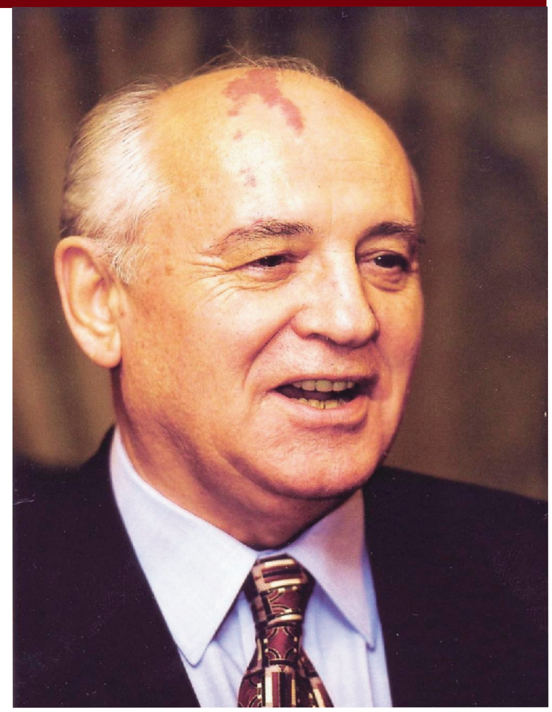
Judi McLeod provides a brief history of Gorbachev in his post-Soviet leadership role, reminding us of his base beliefs. Why is this important? Because the influence of Gorbachev at the international level, and within certain elite circles in the United States, is significant. In the future, *Forcing Change* will examine in more depth the ongoing influence of Communist internationalism. However, McLeod's piece provides an important point of reference – with an interesting twist.

About the Author: Judi McLeod, who has 25 years experience in the print media, is the editor of *Canada Free Press* (www.canadafreepress.com). In the past she has been a columnist for the Toronto Sun, and has worked with the *Kingston Whig Standard* and the former *Brampton Daily Times*.

Gorbachev Among First to Pounce on an America in Distress

By Judi McLeod

It didn't take former Soviet leader Mikhail Gorbachev the proverbial New York minute to pounce on an America in distress.



Mikhail Gorbachev

Gorbachev came forward last week (mid-November) advising that the Obama administration needs far-reaching 'perestroika' reforms to overcome the financial crisis and restore balance in the world.

The former Soviet leader has been trying to put wings on his dream for a worldwide-adopted Perestroika as far back as 1990, when he attended a Forum in Moscow with then-United Nations Secretary-General Javier Perez de Cuellar.

This Forum was sponsored by the Supreme Soviet and the International Foundation for the Survival and Development of Humanity, along with the Temple of Understanding and the U.N. Global Committee of Parliamentarians on Population and Development.

It was there that Gorbachev stated that "Perestroika has changed our view of ecology; only through international efforts can we avert tragedy."

He called for each nation to produce state-of-the-environment reports for the 1992 U.N. Conference on Environment and Development in Rio de Janeiro. He reiterated an earlier call for a U.N. "green cross", an international emergency task force that could be rushed to the scene of an ecological disaster.

Transportation to the Forum was provided to invited participants – free of charge by Aeroflot – and local expenses were paid for by the host country.

Less than a year ago, rumours about Gorbachev's sudden "secret conversion" to Catholicism were reported as fact by the international mainstream media.

The rumours began circulating after Gorbachev and his daughter, Irina, visited the Basilica of St. Francis in Assisi (Italy), home to the saint's relics. Italian daily *La Stampa* called the event a "spiritual perestroika."

"Over the last few days some media have been disseminating fantasies – I can't use any other word – about my secret Catholicism, citing my visit to the Sacro Convento friary, where the remains of St. Francis of Assisi lie," Gorbachev said. Instead, he insisted that he undertook the trip not as a pilgrim, but as a "tourist."

> "In the past he visited Orthodox monasteries in Russia and abroad, Catholic and Protestant churches, synagogues in Israel and mosques in Arab countries as well as Buddhist monasteries, but 'nobody related me to this or that belief during all these years. To avoid misunderstandings I would like to say—I was atheist and I stay atheist.'" (Christianpost.com, March 24, 2008).

As recently as October 23, 1996, Gorbachev appeared on the popular Charlie Rose PBS television program, where he said,

> "We are part of the Cosmos…Cosmos is my God. Nature is my God… l believe that the 21st century will be the century of the environment, the century when all of us will have to find an answer to how to harmonize relations between man and the rest of Nature…We are part of Nature…"

And of course it would be unlikely that someone in partnership with Maurice Strong to change the 10 Commandments of Moses for the *Earth Charter* would be a sincere Christian. [**Editor's Note:** Manitoba born, Maurice Strong has a long history working for the United Nations, particularly in the field of environmentalism. Also, the *Earth Charter*, a soft-law document put together by Strong, Gorbachev, and Steven Rockefeller, is a text that is designed to build a global ethics on Earth-centric values].

Held in awe by dint of having won a Nobel Peace Prize, Gorbachev became an America basher in his adopted country.

"America is intoxicated by its position as the world's only superpower. It wants to impose its will. But America needs to get over that. It has responsibilities as well as power," Gorbachev told *Times Magazine* writer Sally B. Donnelly in an interview for his then new book, *To Understand Perestroika*.

"Who is Gorbachev, who made a soft landing in America after the collapse of the Soviet Union and who would have had nothing without the United States, to criticize it?" *Canada Free Press* (CFP) asked on April 3, 2006.

It was the Carnegie Endowment for International Peace, the Ford Foundation, the Rockefeller Brothers Fund, and the Pew and Mellon Funds that provided the soft landing before Gorbachev even set foot in America as his chosen place to live.

Indeed, a $3.5-million bailout preceded Gorbachev's celebrated arrival in America to the Presidio, after a fundraiser was held in his honour at the posh Waldorf-Astoria.

In April of 1993, Mikhail S. Gorbachev became the first civilian tenant at the prestigious Presidio in San Francisco. In a dedication ceremony, the former Soviet President and his wife were given the keys to a Coast Guard officer's house by a three-star American general, where they were to run the Gorbachev foundation. The mission of the Foundation was to conduct research on global political and environmental issues.

"For two centuries, the Presidio has stood as a sentinel for the San Francisco Bay area," Lieut. Gen. Glynn Mallory Jr., commander of the Sixth Army, said at the ceremony. "It is only fitting for the leader of a peace foundation to be welcomed by a soldier, showing that the defenders of the Golden Gate have been a success." (*The New York Tines*, May 18, 1993).

The Presidio was one of more than 90 military installations being closed under the *Base Realignment and Closure Act* of 1988, an initiative launched by some of Gorbachev's Democrat friends.

Ironic that the former Soviet leader who said in a 1987 speech to the Politburo, "Our purpose is to disarm the Americans and let them fall asleep" got to pitch up at the Presidio.

Even as the recipient of a $3.5 million bailout, Gorbachev was crying poor when Donnelly reached him for an interview. Asked by Donnelly, "Are you enjoying life?" Gorbachev responded, "Yes, but there are some difficulties. Traveling is physically hard. And my (government) pension is only 40,000 rubles a month (about $1,400).

In advising the adoption of Perestroika for Obama, Gorbachev told Italy's *La Stampa* that "the world is waiting for Obama to act." (See also the *RIA Novosti* article, "Gorbachev calls on Obama to carry out 'perestroika' in the U.S," November 11, 2008),

> "This is a man of our times, he is capable of restarting dialogue, all the more since the circumstances will allow him to get out of a dead-end situation. Barack Obama has not had a very long career, but it is hard to find faults, and he has led an election campaign winning over the Democratic Party and Hillary Clinton herself. We can judge from this that this person is capable of engaging in dialogue and understanding current realities."

Former Russia oligarch Mikhail Khodorkovsky, founder of the now defunct Yukos oil giant, who is in prison on fraud and tax evasion charges, also used the word perestroika in discussing the future course of the Obama administration. (newzeal.blogspot.com, Nov. 11, 2008.) He said that, "being a liberal himself, he thinks that the world will take a left turn", and that "a global perestroika would be a logical response to the global crisis."

> "The paradigm of global development is about to change. The era inaugurated by Ronald Reagan and Margaret Thatcher 30 years ago is over."

Meanwhile, even as the far left celebrated the arrival of Gorbachev on American soil, he was working with the global elite to take down the U.S. from the inside. FC

Judi McLeod is editor of *Canada Free Press* (www.canadafreepress.com).

Consensus? What Consensus?

By Dr. Michael S. Coffman, Ph. D.

Editor's Note:

Dr. Michael Coffman, an environmental scientist, is the author of *Saviors of the Earth? The Politics and Religion of the Environmental Movement* and the producer of the DVD, *Global Warming or Global Governance?* His website is www.discerningtoday.org.

We have all heard the litany in the news that 2,500 scientists working in conjunction with the United Nations Intergovernmental Panel on Climate Change (IPCC) agree with a 90 percent certainty that man is causing potentially catastrophic global warming. They even received the Nobel Peace Prize, along with Al Gore, for their exemplary work in the field. This, we are told, is a solid consensus having very few dissenters. The problem is that this so-called consensus is a myth – it never existed. Ever!

In early 1992 forty-seven of the top climatologists in the world signed a petition during an annual conference on climatology held in Heidelberg, Germany, decrying "the unsupported assumption that catastrophic global warming follows from the burning of fossil fuels and requires immediate action." Back in 1992, forty-seven Ph.D. climatologists represented a sizable chunk of all the climatologists in the world. The press ignored it.

Stung by the press's rebuke, the signers redoubled their efforts and were successful in obtaining 424 signers at the Rio de Janeiro Earth Summit, also in 1992. Known as the Heidelberg Appeal, it once again was ignored by the media, even though the number of signers eventually reached 4,000, including 72 Nobel Prize winners in science.

Several other petitions over the years met with the same fate; the media ignored them all. Then, in 2001, the Oregon Institute of Science and Medicine (OISM) launched the Petition Project (petitionproject.org), spearheaded by Dr. Frederick Seitz, past president of the National Academy of Sciences and of Rockefeller University. The Petition Project amassed 17,800 signatures, all with degrees in the physical sciences. This time the media took notice, but not in the way you might expect.

Instead of reporting that nearly 18,000 scientists refuted the man-caused global warming theory, the media trumpeted alleged flaws in the petition claimed by the man-caused warming alarmists. The Petition drive was accused of filling the petition with duplicate signers. That allegation was proven false. Not surprisingly, many scientists happen to have the same name. Other names that seemed to be phony – such as Michael Fox, the actor, and Perry Mason, the fictional lawyer in a TV series – were actually real, credentialed scientists. No retraction was ever made by the media, nor did they even acknowledge the authenticity of the signers or the petition.

Outraged with the sheer duplicity of the press and warming alarmists, OISM launched the same petition again in 2008. They used a subset of the mailing list of American Men and Women of Science – a who's who of Science – to mail the petition requesting the recipient to sign the petition if agreed that Kyoto was a danger to humanity.

The results reported last May showed that 31,072 scientists, 9,021 of whom were Ph.D.s, signed the petition. Every signature has been vetted for authenticity.

Ironically, using the Freedom of Information Act, it has been proven that the so-called 2500 scientists the IPCC claims make up their "consensus," are really not scientists at all. Of that total, only 308 scientists reviewed the 2007 IPCC report. Many of them disagreed, some strongly so. Not surprisingly, all of their comments were rejected and not included in the report. The remaining 2192 so-called scientists came from all walks of life; politicians, government bureaucrats, social workers, and apparently even a hotel manager. Less than 40 of the 308 scientists were generally supportive of the hypothesis, and less than 5 actually endorsed the report. Yet, the IPCC report was hailed by the media as the consensus of thousands of scientists.

Putting this into perspective, for every 1 scientist who even slightly favored the IPCC conclusions, 792 signed the OSIM petition saying there was no convincing evidence that there is man-made, catastrophic global warming. For every Ph.D. that endorsed the IPCC report, 1800 signed the OSIM petition. If anything, there is a scientific consensus that man is not responsible for global warming.

What did the media do with this potentially explosive story? They ignored it, as usual. A few, like Fox News, were gracious enough to have a byline on their website. Only the conservative media highlighted this phenomenal story.
It would seem the media, and by extension, the people who depend on it for accurate news, would rather believe a lie than the truth. This realization led Dr. Ross McKittrick, who discredited the hockey stick theory of the 2001 IPCC report, to lament,

> "We are now at the stage where mere facts, reason, and truth are powerless in the face of the global warming propaganda."

It is a scary thought, but he is correct. Ignorance and propaganda now form the basis of our policy on climate change (and many other environmental issues).

We are treading a dangerous path. FC

Dr. Michael Coffman's website is www.discerningtoday.org.

"In a time of universal deceit, telling the truth becomes a revolutionary act."

Telling the Truth About Climate Change Has Become a Revolutionary Act

By Dr. Tim Ball

Editor's Note:

The following article, used by permission of Dr. Ball, is a serious reminder regarding human nature, economics, and global warming.

Dr. Tim Ball

Alan Greenspan, former chairman of the US Federal Reserve Board – a position touted as one of the most powerful unelected offices in the world – in a hearing before Rep. Henry Waxman's House Committee on Oversight and Government Reform, said he got it wrong in answer to questions about his role in the recent financial meltdown. His extremely mobile face deadpanned that his economic models, which he had relied on for 40 years, were wrong. He did not apologize; it was merely a statement of fact that portrayed no irrational exuberance. He gave no hint of concern about the massive damage his reliance on the models had done. Huge losses of money among those who exploited the situation his models allowed, garnered no sympathy. However, the dashing of hope at the bottom of the economic pyramid – the disaster of losing one's home or job, the stress created by worrying about losing either, and a myriad other such stories in the US and across the world – appeared to be dismissed with a wave of the academic and intellectual hand.

There were warnings.

In October 2005, Stephen King wrote in the British newspaper, *The Independent*,

> "Despite Mr Greenspan's colossal reputation, I have my doubts that his approach will survive his departure: by giving the impression that all risks can be contained through his own wizardry, Mr Greenspan may have encouraged excessive risk-taking, most obviously with the equity bubble in the late 1990s and, more recently, with the emergence of a housing bubble."

The wizardry was his models. Greenspan likely believes he absolved himself from any blame or responsibility by his statement that it was the model's fault – I am not responsible or accountable.

As the blog site, *Naked Capitalism* puts it, "Being an objectivist means never having to take responsibility for your actions. Greenspan has now decided to pin the financial market crisis on models."

The cliché about models is garbage in-garbage out (GIGO). But the issues are; who put the garbage in, who decided what happened to the garbage while it was in the model, and then how was the garbage used once it was out?

Ironically, to a certain extent, Greenspan is correct. The models are the problem.

Models are useful tools as long as they are used for simple, readily measured situations. However, even there they can be wrong. Consider the failures that occur with constructions. The bridge in Minneapolis is a good example. When complexity increases, particularly through interactions between various segments, their use becomes extremely questionable. They depend upon the amount and accuracy of the data on which they are built, and in most cases this is less than adequate. They assume an ability to quantify every variable, but this is not possible. Even the largest computers cannot include all variables. Which ones do you leave out? How would you quantify Greenspan's irrational exuberance? Indeed, how do you quantify human behavior?

Greenspan failed to quantify human reaction to policies he formulated based on his model output, and in his testimony he admitted he did not anticipate what happened. This is a typical academic response and why the phrase "it is purely academic" means it is irrelevant to the real world. What is remarkable is his naiveté and belief in his model, and his lack of understanding of human nature. Unfortunately he is not alone in an implicit belief in models and their ability to simulate the complexity of real world conditions. And he is not alone in the application of the model outputs as the basis for major public policies. They are the bane of society wherever they are used.

Models range in form from hardware models, which are simply scale reductions such as a model airplane, to purely abstract models that replace individual components with symbols. These, in the simplest model, usually are letters of the alphabet to represent a variable. Everyone is familiar with Einstein's famous model symbolized in the mathematical formula e = mc2. E represents energy, M is for mass, and C is for the speed of light. Almost all models in science or social science are mathematical.

Modeling became dominant in every discipline with the advent of the computer. This allowed for inclusion of vast amounts of data on which complex calculations could be performed. Unfortunately, this gave them a credibility that they didn't deserve. As Pierre Gallois said,

"If you put tomfoolery into a computer, nothing comes out of it but tomfoolery. But this tomfoolery, having passed through a very expensive machine, is somehow ennobled and no one dares criticize it."

Working with models in a laboratory or academic environment only requires logic, rigorous method, and adherence to scientific standards. Too often today these basic standards are not being met, but confined to the laboratory or classroom, they only do damage within academia. However, once you use the output of your models for public policy, then a social and political responsibility is required – and as we see, more and more often this is not being met. Greenspan and his model are a disastrous example.

Economics is a discipline within the general area of the social sciences. The term implies that somehow you can apply the scientific method to individual and group behavior within a society. However, there is a fundamental difference between science and social science – and that is the ability to predict.

A simple definition of science is the ability to predict. The scientific prediction does not trigger a response or a change, but remains measurable. Social science predictions inevitably produce a response and triggers change that jeopardizes the prediction. For example, if an economist studies a community and produces a predictive report that leaders and innovators in the community react by changing their behavior, and thus that of the community. This results in invalidating the original predictive report. Obviously, this is what happened when Greenspan applied his predictive model output to the US economy.

Greenspan's model was the basis for US financial policy for the entire time he was Chairman of the Reserve Board after his appointment in 1987. It was also the basis for world economies as the reverberations of the collapse demonstrate. However, it is not the only flawed model influencing global policy and driving it in the wrong direction. The climate model used by the United Nations Intergovernmental Panel on Climate Change (IPCC) is the sole source of evidence that human CO2 is causing climate change, yet it is being used to create completely unnecessary taxes, policies, and hardships.

The IPCC models are also the source of predictions about threatening future climates. This despite their own warning in their first report (*Climate Change 1992*); "Scenarios are not predictions of the future and should not be used as such." While the *Special Report on Emissions Scenarios* says, "Scenarios are images of the future or alternative futures. They are neither predictions nor forecasts."

By *Climate Change 2001* the IPCC were saying; "The possibility that any single emissions path will occur as described in this scenario is highly uncertain." They later said,

"No judgment is offered in this report as to the preference for any of the scenarios and they are not assigned probabilities of recurrence, neither must they be interpreted as policy recommendations"

The hypocrisy of these words is provided by the report they produced for policy makers titled, Summary for Policymakers (SPM).

Some argue climate models are better than economic models because the climate versions are based on physics. If this was true then their predictions would be accurate, but they are not. That's not surprising; after all, they were not validated. And validation is a standard test in which a model attempts to recreate previous known conditions. This is problematic. Everyone is aware they cannot provide accurate weather forecasts beyond 5 days, so it is unreasonable to claim they make accurate climate forecast for 50 and 100 years.

And the argument that weather forecasts are different than climate forecasts is not upheld, because climate is an average of the weather. They are only as accurate as our knowledge of the weather and its mechanisms. At a recent conference on climate modeling in Reading, England, Tim Palmer, a leading climate modeler at the European Centre for Medium-Range Weather Forecasts said, "I don't want to undermine the IPCC, but the forecasts, especially for regional climate change, are immensely uncertain."

Furthermore, a paper by Demetris Koutsoyiannis, a professor at National Technical University of Athens, argues that climate models have no predictive value.

Failure of the IPCC models is not surprising. They are built on the theory of warming/climate change, which uses the fundamental assumption that an increase in CO2 will cause an increase in temperature. But in every record of any duration for any time period in the Earth's history, temperature increases before CO2 rises. A major problem is that the models focus on human causes, as their mandate dictates. As Roy Spencer said in his testimony before the US Senate EPW Committee,

> "And given that virtually no research into possible natural explanations for global warming has been performed, it is time for scientific objectivity and integrity to be restored to the field of global warming research."

The IPCC and their totally inadequate and incomplete climate models exploit people's fears and lack of understanding, while driving politicians to completely wrong policies. They present scenarios and warn against using them as predictions, yet produce a Summary for Policymakers. And individual IPCC members actively encourage the promotion of said policies.

Greenspan's bland and unapologetic statement that his model failed is frightening. It is even more frightening that the solutions do not deal with the fundamental flaws that allowed it to exist. Spending more than you earn is a problem from the individual through to the government. Greenspan encouraged massive credit, and then chastised the irrational exuberance with which it was adopted. Now those who provided and often exploited the credit seem to shock him.

The same is true of climate models. They are grossly flawed, being built on at least one critically false assumption – inadequate data – and omit major mechanisms while consistently making inaccurate predictions. The damage of energy and environmental policies based on their output is already extensive and will get worse as politicians plan massive CO2 reductions. The question is; how did Greenspan get away with it? Why wasn't he challenged? How are the IPCC getting away with their deceptions and failed models? Bartholomew and Goode, both sociology professors, provide the answer succinctly in this paragraph on mass hysteria.

> "Many factors contribute to the formation and spread of collective delusions and hysterical illness: the mass media; rumors; extraordinary anxiety or excitement; cultural beliefs and stereotypes; the social and political context; and reinforcing actions by authorities such as politicians, or institutions of social control such as the police or military. Episodes are also distinguishable by the redefinition of mundane objects, events, and circumstances and reflect a rapidly spreading folk belief which contributes to an emerging definition of the situation." (They should add academia as a reinforcing authority.)

The "redefinition of mundane objects" applies to weather events and climate change. These natural events have been redefined as unnatural and therefore problematic. They are then wrapped in the larger environmental hysteria.

It also appears George Orwell was correct when he wrote, "In a time of universal deceit, telling the truth becomes a revolutionary act." FC

Tim Ball, a former climate professor at the University of Winnipeg, is an advisor to the International Climate Science Coalition. He has given hundreds of lectures and presentations on climate change and environmentalism, and has been a guest on numerous radio talk shows dealing with the subject of global warming

Madame Speaker, many Americans are hoping the new administration will solve the economic problems we face.

The Austrians Were Right: Statement by Congressman Ron Paul

By Ron Paul

Editor's Note:

The following text is a statement made in the United States House of Representatives, November 20, 2008, by Congressman Ron Paul. It's printed in *Forcing Change* to offer a different perspective regarding the economic dilemma as compared to what is typically found in mainstream media.

That's not likely to happen, because the economic advisors to the new President have no more understanding of how to get us out of this mess than previous administrations and Congresses understood how the crisis was brought about in the first place.

Congressman Ron Paul

Except for a rare few, Members of Congress are unaware of Austrian Free Market economics. For the last 80 years, the legislative, judiciary and executive branches of our government have been totally influenced by Keynesian economics. If they had had any understanding of the Austrian economic explanation of the business cycle, they would have never permitted the dangerous bubbles that always lead to painful corrections.

Today, a major economic crisis is unfolding. New government programs are started daily, and future plans are being made for even more. All are based on the belief that we're in this mess because free-market capitalism and sound money failed. The obsession is with more spending, bailouts of bad investments, more debt, and further dollar debasement. Many are saying we need an international answer to our problems with the establishment of a world central bank and a single fiat reserve currency. These suggestions are merely more of the same policies that created our mess and are doomed to fail.

At least 90% of the cause for the financial crisis can be laid at the doorstep of the Federal Reserve. It is the manipulation of credit, the money supply, and interest rates that caused the various bubbles to form. Congress added fuel to the fire by various programs and institutions like the Community Reinvestment Act, Fannie Mae and Freddie Mac, FDIC, and HUD mandates, which were all backed up by aggressive court rulings.

The Fed has now doled out close to $2 trillion in subsidized loans to troubled banks and other financial institutions. The Federal Reserve and Treasury constantly brag about the need for "transparency" and "oversight," but it's all just talk – they want none of it. They want secrecy while the privileged are rescued at the expense of the middle class.

It is unimaginable that Congress could be so derelict in its duty. It does nothing but condone the arrogance of the Fed in its refusal to tell us where the $2 trillion has gone. All Members of Congress and all Americans should be outraged that conditions could deteriorate to this degree. It's no wonder that a large and growing number of Americans are now demanding an end to the Fed.

The Federal Reserve created our problem, yet it manages to gain even more power in the socialization of the entire financial system. The whole bailout process this past year was characterized by no oversight, no limits, no concerns, no understanding, and no common sense.

Similar mistakes were made in the 1930s and ushered in the age of the New Deal, the Fair Deal, the Great Society and the supply-siders who convinced conservatives that deficits didn't really matter after all, since they were anxious to finance a very expensive deficit-financed American empire.

All the programs since the Depression were meant to prevent recessions and depressions. Yet all that was done was to plant the seeds of the greatest financial bubble in all history. Because of this lack of understanding, the stage is now set for massive nationalization of the financial system and quite likely the means of production.

Although it is obvious that the Keynesians were all wrong and interventionism and central economic planning don't work, whom are we listening to for advice on getting us out of this mess? Unfortunately, it's the Keynesians, the socialists, and big-government proponents.

Who's being ignored? The Austrian free-market economists – the very ones who predicted not only the Great Depression, but the calamity we're dealing with today. If the crisis was predictable and is explainable, why did no one listen? It's because too many politicians believed that a free lunch was possible and a new economic paradigm had arrived. But we've heard that one before – like the philosopher's stone that could turn lead into gold. Prosperity without work is a dream of the ages.

Over and above this are those who understand that political power is controlled by those who control the money supply. Liberals and conservatives, Republicans and Democrats came to believe, as they were taught in our universities, that deficits don't matter and that Federal Reserve accommodation by monetizing debt is legitimate and never harmful. The truth is otherwise. Central economic planning is always harmful. Inflating the money supply and purposely devaluing the dollar is always painful and dangerous.

The policies of big-government proponents are running out of steam. Their policies have failed and will continue to fail. Merely doing more of what caused the crisis can hardly provide a solution.

The good news is that Austrian economists are gaining more acceptance every day and have a greater chance of influencing our future than they've had for a long time.

The basic problem is that proponents of big government require a central bank in order to surreptitiously pay bills without direct taxation. Printing needed money delays the payment. Raising taxes would reveal the true cost of big government, and the people would revolt. But the piper will be paid, and that's what this crisis is all about.

There are limits. A country cannot forever depend on a central bank to keep the economy afloat and the currency functionable through constant acceleration of money supply growth. Eventually the laws of economics will overrule the politicians, the bureaucrats and the central bankers. The system will fail to respond unless the excess debt and mal-investment is liquidated. If it goes too far and the wild extravagance is not arrested, runaway inflation will result, and an entirely new currency will be required to restore growth and reasonable political stability.

The choice we face is ominous: We either accept world-wide authoritarian government holding together a flawed system, OR we restore the principles of the Constitution, limit government power, restore commodity money without a Federal Reserve system, reject world government, and promote the cause of peace by protecting liberty equally for all persons. Freedom is the answer. FC

Congressman Ron Paul, representing the 14th district of Texas, is known throughout the US and in other parts of the world as an advocate for liberty.

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