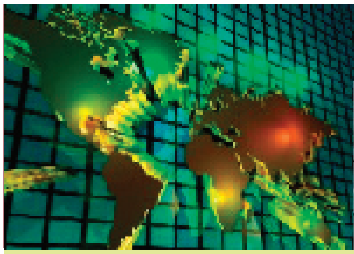

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Carl Teichrib, Chief Editor

For Information That's Red Hot go to www.forcingchang.org

Money Makes What go Round?

By Carl Teichrib

We've all heard the cliché that "money makes the world go round."

True enough. Money is the lubricant of human-to-human interaction at the level of production and consumption. It's one of the primary tools that allow societies to function, for better or for worse.

No wonder the father of today's prevailing economic philosophy, John Maynard Keynes, had this to say in 1919; "There is no subtler, no surer means of overturning the existing basis of society than to debauch the currency." (*The Economic Consequences of the Peace*, p.236)

That statement – made almost 100 years ago – underscores today's reality: A global monetary system on the brink of collapse, mass panic in the markets, governments looking to magically borrow their way out of debt while promising to save everyone, and international bankers openly talking about re-arranging the world's entire financial fabric.

"There is no subtler, no surer means of overturning the existing basis of society than to debauch the currency." Could it be that simple?

If anything, Keynes' statement coupled with today's economic turmoil amply demonstrates just how precarious the link between civilization and currency can be. And we're seeing this monetary-social relationship being played out in the daily news, and in our own lives.

This issue of *Forcing Change* follows a financial thread – from thoughts on money and socialism, to what world leaders are currently discussing, to the launching pad of "economic revolution." Although some of the material may seem rather heavy, I encourage you to take the time to carefully think through what's being presented. If you do, you'll walk away with a sobering understanding of just how close we may be to the overturning of the "existing basis of society."

And to be forewarned is to be forearmed.

Proverbs 4:7 – "Wisdom is supreme; therefore get wisdom. Though it cost you all you have, get understanding."

Proverbs 27:12 – "A prudent man sees evil and hides himself; the naïve proceed and pay the penalty."

2 Timothy 1:7 – "For God has not given us a spirit of fear, but of power and of love and of a sound mind." FC

Jaguar Inflation

By Robert R. Prechter, Jr.

Note: Robert Prechter is an economist and author of *Conquer the Crash*. He is the founder of the Socionomics Foundation (www.socionomics.net), an organization that studies the linkages between social behavior and economic activity. Mr. Prechter is also the guiding hand behind Elliott Wave International (www.elliottwave.com), a globally recognized market-forecasting firm.

The original version of this article was published in the February 2004 issue of *The Elliott Wave Theorist*, and has recently been republished by the *Mises Daily*.

Forcing Change would like to thank Elliott Wave International for granting permission to present this article to the readers of FC.

I am tired of hearing economists argue that government and the Fed should expand credit for the good of the economy. Sometimes an analogy clarifies a subject, so let's try one.

It may sound crazy, but suppose the government were to decide that the health of the nation depends upon producing Jaguar automobiles and providing them to as many people as possible.

To facilitate that goal, it begins operating Jaguar plants all over the country, subsidizing production with tax money. To everyone's delight, it offers these luxury cars for sale at 50% off the old price. People flock to the showrooms and buy.

Later, sales slow down, so the government cuts the price in half again. More people rush in and buy. Sales again slow, so it lowers the price to $900 each. People return to the stores to buy two or three, or half a dozen. Why not? Look how cheap they are! Buyers give Jaguars to their kids and park an extra one on the lawn. Finally, the country is awash in Jaguars.

Alas, sales slow again, and the government panics. It must move more Jaguars, or, according to its theory – ironically now made fact – the economy will recede. People are working three days a week just to pay their taxes so the government can keep producing more Jaguars. If Jaguars stop moving, the economy will stop. So the government announces "stimulus" programs and begins giving Jaguars away. A few more cars move out of the showrooms, but then it ends. Nobody wants any more Jaguars. They don't care if they're free. They can't find a use for them. Production of Jaguars ceases.

It takes years to work through the overhanging supply of Jaguars. The factories close, unemployment soars and tax collections collapse. The economy is wrecked. People can't afford repairs or gasoline, so many of the Jaguars rust away to worthlessness. The number of Jaguars – at best – returns to the level it was before the program began.

Robert Prechter

The same thing can happen with credit.

It may sound crazy, but suppose the government were to decide that the health of the nation depends upon producing credit and providing it to as many people as possible.

To facilitate that goal, it begins operating credit-production plants all over the country – called Federal Reserve Banks, Federal Home Loan Banks, Fannie Mae, Sallie Mae, and Freddie Mac, all subsidized by monopoly powers or government guarantees – to funnel credit to the public through banks. To everyone's delight, banks begin reducing collateral requirements and thereby offering credit for sale at below-market rates. People flock to the banks and buy.

Later, sales slow down, so banks cut the price again. More people rush in and buy. Sales again slow, so lenders lower the price to 1% with no collateral and no money down. People return to the banks to buy even more credit. Why not? Look how cheap it is! Borrowers use credit to buy houses, boats, and an extra Jaguar to park out on the lawn. Finally, the country is awash in credit.

Alas, sales slow again, and government and banks start to panic. They must move more credit, or, according to its theory – ironically now made fact – the economy will recede. People are working three days a week just to pay the interest on their debt to the banks so the banks can keep offering more credit. If credit stops moving, the economy will stop. So the government announces "stimulus" programs and begins giving credit away, at 0% interest. A few more loans move through the tellers' windows, but then it ends. Nobody wants any more credit. They don't care if it's free. They can't find a use for it. Production of credit ceases.

It takes years to work through the overhanging supply of credit. Banks close, unemployment soars and tax collections collapse. The economy is wrecked. People can't afford to pay interest on their debts, so many IOUs deteriorate to worthlessness. The value of credit – at best – returns to the level it was before the program began.

See how it works?

Is the analogy perfect? No. The idea of pushing credit on people is far more dangerous than the idea of pushing Jaguars on them. In the credit scenario, debtors and even most creditors lose everything in the end. In the Jaguar scenario, at least everyone ends up with a garage full of cars. Of course, the Jaguar scenario is impossible, because the government can't produce value. It can, however, reduce values.

A government that imposes a central bank monopoly, for example, can reduce the incremental value of credit. A monopoly credit system also allows for fraud and theft on a far bigger scale. Instead of government appropriating citizens' labor openly by having them produce cars, monopoly banking and credit machines do so clandestinely by stealing stored labor from citizens' bank accounts by inflating the supply of credit, thereby reducing the value of savings.

Twentieth-century macroeconomic theory – both Keynesian and monetarist – championed the idea that a growing economy needs easy credit. But this is a false theory. Credit should be supplied by the free market, in which case it will almost always be offered intelligently, primarily to producers, not consumers.

Would lesser availability of consumer credit mean that fewer people would own a house or a car? Quite the opposite. Only the timeline would be different. Initially it would take a few years longer for the same number of people to save enough to own houses and cars – actually own them, not rent them from banks. Prices would be lower because credit would not be competing with money to bid up these goods. And, because banks would not be appropriating so much of people's labor and wealth, the economy as a whole would grow much faster. Eventually, the extent of home and car ownership – actual ownership – would eclipse that in an easy-credit society. Moreover, people would keep their homes and cars because banks would not be foreclosing on them. As a bonus, there would be no devastating across-the-board collapse of the banking system, which, as history has repeatedly demonstrated, is inevitable under a system of central banking and other government-created credit factories.

Jaguars, anyone? More credit?

Here's a better idea: let's go back to using real money. FC

Will the U.S. Embrace Global Socialism?

By Henry Lamb

NOTE: Henry Lamb is founder of the Environmental Conservation Organization (www.freedom.org) and chairman of Sovereignty International (www.sovereignty.net). His work on dissecting sustainable development policies have been instrumental in helping many others to understand the dangers of the United Nations Agenda 21 program.

Permission to *Forcing Change* to use this article has been granted by the author.

Henry Lamb

Reports from the recent World Economic Forum in Davos, Switzerland, suggest that most of the world's leaders are convinced that the current crisis is the result of inherent flaws in capitalism, and are eager to impose new international rules to save the world.

Australian Prime Minister Kevin Rudd is calling on President Obama to join him in creating a new economic system. "Simply tweaking the old system won't do," he says. Rudd wants "a system of open markets, unambiguously regulated by an activist state, and one in which the state intervenes to reduce the greater inequalities that competitive markets will inevitably generate."

World leaders will meet again in April, hosted by Britain's Gordon Brown. This meeting of the so-called G-20 is a follow-up of the November meeting hosted by President Bush. The growing consensus among these leaders is that capitalism must be brought under control. More importantly, it must be brought under the control of an international authority.

This new system seeks to utilize the creative power of the profit motive while using the authority of government to direct production and distribute profits.

This is not a new idea. Bill Clinton referred to it as "The Third Way," a combination of capitalism and socialism. Advocates of this government-controlled capitalism often point to China as an example of its success. China's economy began to expand dramatically when the government began to allow private entrepreneurs to profit from their own energy and investment.

U.S. President Barack Obama

China's economic growth is the result of loosening government control; tightening government controls on the global economy will inevitably diminish growth. If the controls are held by an international authority, growth can be suppressed in developed nations and expanded in developing nations. This has long been a primary goal of international socialism and of the United Nations.

As the President and Congress work to enact legislation to cure the current crisis, it's hard to miss the giant steps toward socialism. A major portion of the banking industry has been nationalized by the exchange of stock for infusions of public funds. With the infusions of public funds across private industry comes the inevitable "strings" that put government in control of the recipient industry.

President Obama and the Democrat-led Congress appear eager to apply this socialist principle by taking control of private industry in exchange for the public funds they are redistributing.

Acquiescence to Kevin Rudd's call for a new global system of democratic socialism will destroy America's prosperity and relegate the United States to a position inferior to the new global economic authority.

The international community first proposed its New International Economic Order in the 1970s and never abandoned its dream of controlling the global economy. Advocates now appear to be on the brink of realizing this goal.

Until now, the United States has been the primary obstacle by refusing to participate, or even recognize a new socialist global economic authority. The new Obama administration, however, is sending many signals that it will look more favorably at socialist policies, both domestically and internationally.

For example, President Obama has emphatically endorsed the Employee Free Choice Act of 2007. This legislation does away with secret-ballot elections for employees to choose whether to be represented by a union. This legislation authorizes the imposition of a union upon any business in which the majority of employees simply sign a union card.

By removing supervised, secret-ballot elections from the process, this bill paves the way for union thugs to show up at an employee's home, or en route to work, or at the local pub, and demand a signature to prevent a broken leg – or worse. Those who imagine any other scenario simply have no experience with labor unions.

This election-less process for unionization has long been a dream of the Socialist Party.

Democrats in Congress have long threatened to take over management of the oil industry, or impose "windfall profit" taxes, and impose a variety of other socialist measures on U.S. industries.

President Obama has gone out of his way to assure the rest of the world that America's position internationally will change with him in office. He apologized for America in Berlin, and in his first televised interview with the Arabian press. He has promised to rejoin U.N. initiatives that the U.S. has previously avoided. He has consistently blamed "greedy capitalists" for the current economic crisis rather than acknowledge government's market intrusion as the cause.

With its current leadership, America may be ready to embrace global socialism. **FC**

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Economic Woes: Looking for International Solutions

By Carl Teichrib (www.forcingchange.org)

Summary:

The global economy felt some pain in 2008, and in 2009 it will hurt more. As the world's financial system boils, watch as international alternatives such as regional currencies and a global monetary unit increase, along with open socialism and even calls for some form of neo-communism (see the article "From Capitalism to Socialism to Communism" in this issue of FC).

The last third of 2008 will be remembered as the wake up period for the West's financial system. During those long-weeks, all eyes turned to Wall Street and Washington as the world longed for a pain-free solution to the economic storm that loomed.

The storm hasn't gone away. Instead, the clouds are still ominously building, and there's a feeling in the air that has the cold touch of panic. This shaky sensation was evident at the 2009 World Economic Forum, an event that has historically been a highpoint for the financial elite. This year, however, the Forum was marked by gloom.

Consider some of what's been said at the World Economic Forum,

- Klaus Schwab, the founder of the World Economic Forum, warned that the crisis is nowhere near over yet.[1]

- George Soros, in an interview with BBC, commented that the present financial problems are bigger than what they were in the 1930s (referring to the Great Depression).[2]

- Prime Minister Vladimir Putin called for the creation of "several strong regional currencies..."[3]

Without question, 2009 will experience an increase in economic turmoil and crisis, and it will be the year that the American retail industry seriously starts to crumble. This fact is finally starting to be picked up in the major news media. On January 22, *CNN Money* called attention to this ominous situation.

> "There's a major American industry that lost 522,000 jobs last year and is on one of the longest sales losing streaks in its history... Monthly store sales have declined for six straight months. In the midst of the longest recession in decades, the industry has lost more than three times the 163,000 manufacturing jobs shed by the auto industry last year."[4]

Mike Ullman, CEO of J.C. Penny, gave some sobering statements.

> "Retailers are the largest group of private employers in the country… We lost twice the number of workers last year than automakers and we hired 45% fewer holiday workers last year. If that doesn't (press) the point, I don't know what would."[5]

This underscores the estimate given by the International Council of Shopping Centers that "as many as 148,000 retail establishments – both public and private – will go out of business in 2009, possibly impacting more than 600,000 jobs in 2009."[6]

The implications of America's retail struggles will be far-reaching, impacting specific manufacturers in China and in other low-wage manufacturing nations. Dan Denning of *The Daily Reckoning*, an Australian-based investment newsletter, draws the parallels.

> "The double helix of the global economy – U.S. consumption and Chinese production – is coming completely unraveled. To the extent that the entire dynamic was a product of cheap money and global imbalances, you wouldn't expect it to survive a contraction in global credit. But its collapse is pretty breathtaking."

Likewise, the housing market for 2009 will not likely pick up.

Then there's the derivative market – a mountain of options, futures, swaps and other sophisticated financial packages. How big is this market? It's hard to tell. Some contracts offset one another, and others are pyramided multiple times over. However, the Bank for International Settlements stated that the Over The Counter derivative contracts at the end of 2007 rose to $596 trillion.[7] Yet the McKinsey Global Institute noted that all of the world's financial assets had a combined real value, in 2006, of only $167 trillion.[8] Do the math.

And the bond market? On January 9, 2009, economist Peter Schiff called the American bond market "one gigantic Ponzi scheme." In an interview with *BNN Canada*, Schiff openly stated, "The [bond] bubble is already here. The question is; when is it going to burst?"[9] [NOTE: Peter Schifff is one of the few economists who foresaw the housing crisis and economic meltdown well in advance of the general media or financial community.]

All of this points to the destruction of currencies, and deeper economic pain around the world. Beyond national monetary stimulus and bailout packages – which only exasperates the problem – how will the international community react?

This isn't hard to figure out. All one has to do is consider the global community's recommendations and announcements from the last four months of 2008. At the international level, the financial crisis lends itself to a variety of top-heavy approaches,

- New regional currency blocks that removes national monetary power and places it in the hands of a multinational banking structure.

- A globally mandated international reserve currency to replace the US dollar, along with a world central bank.

- A worldwide regulatory system to oversee financial transactions and economic policymaking.

Here, in more detail, are the ideas and recommendations that circulated in the global community from the last part of September to December, 2008.

September

24: Dr. Henning Meyer, head of the European Programme at the Global Policy Institute, recommended that the Tobin Tax concept be revisited against the backdrop of the current economic crisis.[10] The Tobin Tax is a suggested international tax on global currency transactions, and has been viewed as a measure to implement global economic governance.

25: Yale professor of international trade, Jeffrey Garten, recommended the creation of a Global Monetary Authority. He noted,

> "In terms of US and international politics, a Global Monetary Authority is probably an idea whose time has not yet come. That may change as today's crisis evolves."[11]

26: British Prime Minister Gordon Brown, while speaking at the United Nations, issued a call for "a new global financial order" to fix the current economic crisis.[12] Brown has consistently advocated a revamped and empowered system of global governance.

October

7: The World Federalist Movement, an influential pro-world government organization, issued a declaration calling for reform of the international financial system under the auspices of the United Nations. Included in this declaration was a call to create new global laws and institutions to regulate the global economy.[13]

Gordon Brown

7: The president of the European Central Bank, Jean-Claude Trichet, told participants at the World Policy Conference that there can be "no taboos" when it comes to dealing with the international financial crisis.[14]

13: At a Reuters event, UK Prime Minister Gordon Brown called for "much stronger global cooperation and supervision" in regards to the global financial system. He also suggested a "new financial architecture for the global age." *The Telegraph* reported,

> "It is understood that the Prime Minister wishes to see the IMF reformed to become a "global central bank" closely monitoring the international economy and financial system. There may also be global rules to prevent conflicts of interest and to boost transparency in the financial system."[15]

15: In an interview between former International Monetary Fund chief economist, Simon Johnson, and the American Public Media program *Marketplace*, Johnson announced that, "everything is on the table," and advocated a "new global financial architecture." Below is part of the *Marketplace* transcript.

Kai Ryssdal [for Marketplace]: Let me get back to the Europeans for just a second. Gordon Brown has said in the last couple of days that this is an opportune time to relook at Bretton Woods, that is the entire underlying concept of the international financial system. Do you think this is a ripe moment for that?

Simon Johnson: Well, it's certainly the right time to put the question on the table. Everything is on the table right now, including national and international regulation. I don't think you want world leaders to go off to a big, fancy hotel in New Hampshire and have spa treatments in the next couple of months. That was obviously where they did the original Bretton Woods agreement. First, we need to figure out how to manage our way through this pretty nasty global recession that seems to be in the near future. But, very soon, we should be talking and planning and actually doing things about a new global financial architecture.

Honestly, Sunday morning, I thought that the global financial system was going to melt down and so did other people whose judgment I trust. We avoided it through a combination of brilliant leadership and pure dumb luck. I don't think we really want to rely on either of those elements being present the next time around."[16]

23: Morrison Bonpasse, President of the Single Global Currency Association, wrote to Dominique Strauss-Kahn, Managing Director at the International Monetary Fund, asking that the upcoming G20 Conference consider a "new international financial structure" that would include a Single Global Currency managed by a Global Central Bank. [17]

25: Jeffrey E. Garten, writing for the online edition of *Newsweek* (and the print issue dated November 3), openly called for the creation of a "Bank of the World" – a global central bank to manage the international financial crisis.[18]

30: Writing for *New Statesman*, Iain Macwhriter suggested a world reserve currency. While Macwhriter recognized that this would be difficult to obtain, the advocacy of such an arrangement adds to the growing debate over what the financial order will look like in the years ahead.

"We need a new set of interventionist institutions capable of managing financial rescues on an international scale.

Ultimately, what is needed is an international central bank with the resources to provide liquidity guarantees, recapitalise banks and regulate international financial flows. This is an immense task, and the world may not yet be ready for it. But it is not a new idea: John Maynard Keynes argued for precisely this during the Bretton Woods negotiations in 1944. He even suggested a world reserve currency 'bancor.' This is the kind of thinking we need today.

The alternative, if nothing is done, is international tension, even war."[19]

November

Note: The following November 9th entries represent the deadline for the publishing of the book, *What G20 Leaders Must do to Stabilize our Economy and Fix the Financial System*. This was a policy suggestion/visioning publication meant to help guide the G20 on their November 15th meeting regarding the global financial crisis.

9: Willem H. Buiter, from the London School of Economics, suggested restructuring the G8, including giving the International Monetary Fund permanent secretariat status for the Group of Eight. He also recommended the creation of a "single global regulator" for large financial institutions who engage in cross-boarder activities, and the development of a "global regulatory framework for rating agencies."[20]

9: Barry Eichengreen, former Senior Advisor at the IMF, recommended the formation of a World Financial Organization akin to the World Trade Organization. [21]

9: Stijn Claessens, Assistant Director in the Research Department at the IMF, recommended a "new regime" for large, global banks. This would mean an "International Bank Charter" with worldwide regulations, accompanied by supervisors who would monitor and guide banks that do business in more than one country.[22]

9: Wendy Dobson, from the University of Toronto, took issue with the idea of creating a "grandiose global super-regulator." About such an international powerhouse she critically wrote,

> "This won't fly because governments will not cede national sovereignty. Nor should they since, to be effective, regulators need to be very knowledgeable about the institutions they oversee. A global regulator fails this test."[23]

9: Guillermo Calvo, who had been an advisor to the IMF and Inter-American Development Bank, wrote that, "Serious attention should be paid to the creation of new or extended common currency areas." [NOTE: this would the formation of an expanded Euro zone, and the development of new regional currency blocks in other parts of the world].[24]

12: Published in *Policy Innovations*, Jose Antonio Ocampo, former United Nations Under-Secretary-General for Economic and Social Affairs, suggested that a global reserve currency be formulated as part of revamping the international financial system. One possibility, according to Ocampo, is the use of the International Monetary Fund's Special Drawing Rights.[25] He also recommended an "international debt court."

14: The Single Global Currency Association issued a press release urging the G20 to begin planning for a one-world currency.[26]

15: G20 Conference – a meeting of the world's top financial ministers and heads of state. The goal was to produce a blueprint that would help the world navigate the global economic crisis. A number of short and medium term recommendations came forward; however, longer-term proposals for a World Central Bank/single global currency were not listed in the final declaration.

18: *China's People's Daily Online* advocated a single global currency as part of a pluralistic world financial order.

> "As a matter of course, the settlement mechanism with the adjustment of a single world currency cannot be accomplished overnight, but has to be materialized gradually and steadily with an incessant rise in the strength of these new-emerging economics and along with an active support from of the U.S. and other developed nations. For a long-term point of view, with a smooth transition of this process, it is hopeful for establishing a new international financial order…"[27]

20: Congressman Ron Paul, in a statement made in the US House of Representatives, issued a critical warning,

> "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."

He also said,

> "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."[28]

25: Krzysztof Rybinski, a partner in Ernst & Young and Assistant Professor at the Warsaw School of Economics gave a seminar titled "Reforming International Organisations," co-organized by the British Embassy and the Unia & Polska Foundation. In this talk, Rybinski envisioned in the next ten to twenty years an emerging common currency for Asia, including a regional central bank "that will be much more powerful than the US Federal Reserve or European Central Bank are today."

But Rybinski's big idea was the creation of Global Strategic Council to advance a world financial arrangement built on the principles of global governance. This Global Strategic Council would be comprised of the ten largest countries, based on a combination of gross domestic product, purchasing-power parity, and population. Using Rybinski's matrix the ten nations would include,

1. China
2. European Union (considered one area)
3. United States
4. India
5. Japan
6. Brazil
7. Russia
8. Indonesia
9. Mexico
10. Pakistan

According to Rybinski,

> "The financial crisis afflicting much of the world is part of more fundamental shifts in the world's economic power-balance. It is time for a new model of global governance that recognises the reality of current trends – starting with the creation of a Global Strategic Council… It is time indeed to reflect this change in a transformed global-governance setup. The new world order should be established without delay."[29]

26: Venezuelan President Hugo Chavez proposed the creation of a single currency block for Latin America. One of Chavez's statements struck a particular cord,

> "We are not going to wait here with our arms crossed for the World Bank or the International Monetary Fund (IMF) to come and solve the problems for us. We have things to say, the South also exists."[30]

And finally, in November, the United Nations Department of Economic and Social Affairs published a Policy Brief recommending a new international reserve currency; "*which, perhaps, over time could evolve into [a] single, world currency backed system.*"[31]

December

3: Stephen Mulholland, writing for the on-line edition of *Daily Dispatch* (based in East London, South Africa), called for a monetary union for all of Africa; "itself the precursor to a world currency."[32]

5: Governments from Central America agreed to adopt a common regional currency and passport system. The countries involved in this new regional monetary block include Honduras, Guatemala, El Salvador, Nicaragua, Costa Rica, Panama, Dominican Republic, and Belize. The pretext for this upcoming common currency is "to bolster regional integration in the face of global financial uncertainly."[33]

8: Financial Times columnist Gideon Rachman openly called for a "world government" in response to the global financial crisis. He also used the climate change issue as a calling card for global governance; "…for the first time in my life, I think the formation of some sort of world government is plausible."

> "The financial crisis and climate change are pushing national governments towards global solutions." [34]

9: Recognizing the coming monetary storm, Mauizio d'Orlando penned the following for ***AsiaNews***.it.

> "Today an attempt is underway to create on the ashes of the dollar a new de facto world central bank, or perhaps a new Euro-American currency, or perhaps only a North American currency, the Amero. We don't know. This may be good for the World Bank, the World Trade Organisation, the International Monetary Fund, the Financial Stability Forum, and the various United Nations agencies, the people in charge of the US Federal Reserve, the European Central Bank, the People's Bank of China, and other central banks. It is not clear whether it is good for the rest of the world."[35]

12: Ghana's Daily Guide announced that on December 1, 2009, a proposed single currency named Eco would be legal tender for the West African Monetary Zone countries.[36]

12: The Eurasian Economic Community – comprised of Russia, Belarus, Kazakhstan, Kyrgyzstan, and Tajikistan – met in Moscow to discuss the creation of a Customs Union within the Eurasian zone. At this point the upcoming Customs Union/economic platform only incorporates thee countries: Russia, Belarus, and Kazakhstan.[37]

15: The Association of Southeast Asian Nations launched itself under an official charter, moving the ASEAN beyond an association and into the realm of a regional community modeled after the European Union. A major platform of ASEAN is the creation of the ASEAN Economic Community, which envisions regional economic integration by 2010 (a common currency is also anticipated in the next decade).[38]

16: Business Daily Africa published an article by Professor Mammo Muchie calling for a united African currency in light of the global recession. Professor Muchie wrote,

> "For Africa to secure agency in macro-economic policy, it needs a unified currency. Without developing such a currency, Africa will always be a victim when the global economy moves from boom to bust, up and down and swings with cyclical movements… the way to overcome fragmentation and dependence and being caught in falling into periodic financial and stock market crises is for Africa to create a monetary union and an African currency."[39]

17: The Dubai International Financial Centre recommended that the upcoming common currency for the Persian Gulf countries should be pegged to a basket of major currencies. The Chief Economist for the DIFC said,

> "The GCC Common Currency can be an important building block of the emerging post-Bretton Woods global financial architecture. The Gulf Central Bank, (GCB) and currency union in the GCC will be crucial in helping member countries face up to the challenges posed by globalization and the current international financial turmoil."[40]

21: *Emirates Business 24/7*, a news service owned by the Arab Media Group, reported that the Gulf Cooperation Council's upcoming monetary union would attract foreign investment and boost the region's overall economy. Commenting on the GCC single currency development, Dr. Ziyad Al Dabbas stated,

> "The creation of a unified GCC currency combining the reserves of all the Gulf states will create a strong currency that will match global currencies and have an important position just like the dollar, yen, euro and pound. As the GCC states have the strategic commodity – oil – the current time represents a historic opportunity for the creation of a unified GCC currency. The current international circumstances would make such a currency stronger than the pound…"[41]

23: *Reuters Indian* reported that the Gulf Arab states is poised to launch a monetary council in 2009, which will be the precursor to a regional central bank and common currency.[42]

23: According to the online edition of *USA Today*, more European countries are looking to adopt the euro as a replacement for national currencies, including Iceland, Poland, and Hungary. Moreover, there is a growing move in Denmark, Sweden, and Great Britain to switch over to the euro.[43]

29-30: Gulf Cooperation Council summit meeting with the goal of developing a final action plan for the GCC unified monetary regime.44

2009!

Now that we're well into 2009, what can we anticipate? As the above data shows, we should expect more calls for regional currencies and greater overall monetary control from the international banking community. Moreover, don't be surprised to hear about the dangers and immanent death of the capitalist system. Capitalism will be vilified to lead the way for public acceptance of international socialism – this is already happening.

How does one prepare for the changes? Every person's situation is unique, however, there are common-sense basics that are standard across the board [NOTE: the following cannot be construed as investment advice, only points for dialogue and discussion].

Review debt levels and develop an action plan to overcoming debt burdens. Remember, debt is a contractual obligation that binds you. By cleaning up debt, you are freeing yourself and opening up a world of fresh opportunities.

Review career and job options. Employment will become increasingly more difficult in the general job sector as retail and other businesses suffer.

Gold and silver, and other non-debt related assets, will become increasingly more sought after. If possible, consider the value-protection characteristics of non-debt related assets. NOTE: Already gold and silver bullion products are hard to obtain because of the demand for these items as a hedge.

Review food/water and fuel situations, and look to shore up weak points in meeting basic needs. Note: I grew up in a rural area of the Canadian prairies, and I remember my parents and grandparents having pantries with many months worth of food supplies in storage.

Watch and prepare for currency shifts, especially if your organization and/or business is involved with activities in foreign nations. This includes Christian missions and aid/development work.

A Note on Christian Missions: Unfortunately, Christian mission agencies tend to be reactionary in respect to currency changes, and fail to see that a proactive approach is needed. The Euro switch in 2002 is a case in point: Even though the handwriting was on the wall regarding the value shift from local currencies to a regional money, many North American mission agencies were broadsided with a devalued American dollar in relationship to the Euro. Missionaries had to return to North American to raise additional support in order to meet the new Euro value upswing. The cost in money and time was substantial. And yet, *the handwriting was on the wall*; the business community and banking industry were preparing for the event, and strategic analysts were sounding a call to get ready. Budgets should have been revamped, and reserves should have been put in place to meet the currency change over. Sadly, most mission groups were asleep at the wheel.

For those who have the ability, there will be new business opportunities arising from this crisis. At the same time, do not over extend budgets. This requires very careful analysis and prudent action, all coupled with an ethics that is above board.

Know your neighbours and community, and prepare to help those around you. Give of yourself to others in need. Look for creative ways to help.

Keep abreast of international and domestic economic developments. Knowledge is always more productive than ignorance, and wisdom builds on knowledge. FC

Carl Teichrib is editor of Forcing Change (www.forcingchange.org).

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Quotes on the State of the Economy

The following quotes come from sources published in February 2009. They're included in this issue of *Forcing Change* to give you a sense of what economists and analysts are saying concerning the larger picture, without you having to pour through mountains of articles and reports.

Each quote gives you a better handle on the seriousness of the world's economic situation. Moreover, some of the quotes offer ideas and concepts that are certainly food for thought.

Peter Schiff (President of Euro Pacific Capital).[1]

"In his first televised speech before Congress, President Obama asserted that prosperity will return once the government restores the flow of credit in the economy. It may come as a surprise to him, but an economy cannot run on consumer loans. Furthermore, credit stopped flowing in the U.S. for a very good reason: there was no more savings left to loan. Government efforts to simply make credit available, without rebuilding productive capacity or increasing savings, are doomed to destroy what's left of our economy.

The central tenets of Obamanomics appear to be that access to credit will enable people to borrow money to buy stuff, the spending will spur production and employment, and thus the economy will grow. It's a neat and simple picture, but it has nothing whatsoever to do with how an economy works. The President does not understand that consumption is made possible by production and that credit is made possible by savings. The size and complexity of modern economies has obscured these simple concepts, but reducing the picture to a small scale can help clear away the fog."

Philipp Bagus and Markus H. Schiml (economists and lecturers).[2]

"During the current crisis…financial systems all over the world are increasingly struggling, and the end of the experiment seems closer. In fact, the Federal Reserve System has used up much of its 'ammunition' for monetary interventions in an attempt to keep the experiment going, lowering its target interest rate almost to zero. Other central banks are also quickly approaching the 'zero limit' for interest rates."

Doug Casey (Chairman of Casey Research).[3]

"Let me say that for the long run I'm very optimistic. Why? Two things act as the mainsprings of progress. Number one is technology and that's going to keep advancing, so that's very good. Second is capital and savings. Individuals will solve their own problems and, therefore, they will stop consuming more than they produce, which is what they've been doing for years, and they'll again start producing more than they consume. The difference is savings; that builds capital.

So technology and capital are going to solve the depression. But the government can do all kinds of stupid things to make it worse. Look at the Soviet Union. They suffered a depression that lasted 70 years from its founding. Look at China. The whole reign of Mao was one long economic depression. That could certainly happen in the U.S., too, where the government misallocates capital in such a way that technology doesn't advance as it could and people can't build individual capital the way they would. I'm optimistic, but anything can happen...

…Even *Newsweek* says we're all socialists now. That seems to be the reigning ideology. In addition, psychologically, the average American – just like the average European – looks to the government to solve things. This is very bad. Most people are unaware that Homeland Security, which is one agency that should be abolished post-haste, is building a

400-acre campus in southeast Washington, D.C., where initially they're going to put 25,000 employees. That's as many as the Pentagon has and with 400 acres, Homeland Security has a lot more room to grow…

…America doesn't exist anymore…America, which is basically an idea, a concept, is dead and gone…There's no longer any difference that I can tell between the U.S. and any other country…

…I've been to 175 countries and lived in 12. My feeling is that the best thing that you can do is set your life up so that you're not to be considered the property of any one government. You might have a passport or several passports and, therefore, that government thinks they own you. But if you don't spend time in a country, practically speaking, there's nothing they can do about it.

So, no, there is no real haven for freedom in the world today. The best you can do is go where the governments are so unorganized that they can't control you effectively. That's one reason I like to spend time in Argentina. They have an incredibly stupid government, but they're also very inefficient and ineffective. So it's wonderful as a place to live. I also spend time in Uruguay, because it's a tiny little country with no ambitions to conquer the world. The nice thing about New Zealand, where I am now, is that it's a small country, only 4 million people, lots of open land. It's got some severe problems, but it's pleasant. I think the U.S. is going to be the epicenter of a lot of problems in the years to come."

Eric Janszen (President, iTulip.com).[4]

"Governments don't create anything, except when they provide and maintain a sound system of property rights, institutions, and legal and physical infrastructure that allows free markets to operate, and does so with minimal cost in a burden on businesses in taxes and debt. Government cannot 'create' jobs, only borrow them from the future, or take them from one area of the economy and move them to another. Likewise the government cannot increase the value of stocks by buying them, as the Bank of Japan has on occasion, only increase the price. As most people mistake price for value – if they did not, the technology stock and housing bubbles would never have occurred – a rise in stock prices caused by government buying may fool investors into joining the market. Or maybe the government only succeeds in maintaining a floor on stock prices, as the BoJ (Bank of Japan) seems to have gotten for their money. In any case, if the government buys stocks the value of stocks will decline just as the value of anything the government buys declines, even if the price rises."

Arnold Bock and Dudley Baker (editors of Precious Metal Warrents).[5]

"Where to now? More politics as usual. Rather than containing the almost $11 Trillion in official accumulated debt, in this and future years the US will add to it at a rate of $1.5 to $2 Trillion annually. For purposes of context, debt stood at $5 Trillion as recently as the year 2000 when President Bush took office.

But the genuinely scary reality is that debt now stands somewhere between $60 and $99 Trillion if one factors in the unfunded liabilities for future obligations such as Medicare and Social Security. Indeed, if the federal government adhered to accounting principles which government regulation demands of the private sector, these overwhelmingly large numbers would be the official debt figures. These numbers are factual, not a figment of the author's fertile imagination."

Llewellyn H. Rockwell Jr. (President, Ludwig von Mises Institute).[6]

"The Obamaites…are woefully ignorant of economics. They seem to actually believe all that socialist claptrap that has provided an excuse for innumerable foreign dictators: the idea that government is the source of wealth and can make anything happen with the push of a button.

They see no limits to the possibility that government can make society perfect, righting every perceived social injustice, and bringing prosperity to all via stealing from the haves and giving it to the have-nots. Is there inequality? Mandate equality. Is there deprivation? Provide! Recession? Spend hundreds of billions!

What we have here is not just a profound love of the state; it is a profound confidence in the capacity of the unlimited state to create heaven on earth. How does this square with the idea of human liberty, of social cooperation, and of the rights of all? Herein lies the great mystery of leftism. The Left seems oblivious to the relationship between their chosen means and their ends. It's not that they hate liberty as such; it is that they believe that it must always take a backseat to other social priorities, like equality. In the end, they have a tendency to build the total state and find themselves taken aback when the whole of society ends up in a cage."

John Browne (Senior Market Strategist, Euro Pacific Capital).[7]

"Most Americans are firm believers in freedom and its economic progeny, the free enterprise system. But, under the cover of entitlement programs, increasingly large numbers of Americans are dependent, directly or indirectly, upon the Government.

In short, socialism is already alive in America, but is being extended, via the banking system, to become the dominant political force."

Frank Shostak (scholar at the Mises Institute).[8]

"We live in an age of grave economic ignorance, if central-bank policy is an indication of prevailing economic theory. It is apparent that we've learned nothing from several millennia of monetary destruction. The persistent demonstration that capital, not paper, is the basis for prosperity has fallen on deaf ears. Daily, we face the sad spectacle of government officials, pundits, and even Nobel laureates telling us that printing money is the answer to an economic downturn…

… money is just a medium of exchange. Its function is to permit the exchange of the products of one specialist for the products of another specialist. More money cannot generate more real savings or real economic growth."

James West (publisher of the Midas Letter).[9]

"The true reflection of the value of any currency, the only one that's really left, is how much gold it can buy. Whereas in 2001 it took $290 to buy an ounce of gold with U.S. dollars, in 2009 it takes over $900. To some extent that reflects an increase in the value of gold, but it's more a reflection of the decrease in the U.S. dollar's purchasing power relative to gold."

Steve Saville (investor and analyst).[10]

"We can't over-emphasise that the Great Depression did not become 'great' due to the economic problems signaled by the 1929 stock market crash, but, instead, due to government policies undertaken to counteract the economic problems. The policy errors we are referring to do NOT include the Fed's so-called failure to prevent the money supply from shrinking, but do include government actions designed to boost prices, expand credit, create employment, and re-distribute wealth. These actions delayed necessary adjustments, and as a result it took more than 15 years for the economy to do what it should have done in 2-3 years…

…The bottom line is that the government can't improve the situation by creating money out of nothing, but it can CHANGE the situation. Specifically, it can make sure that the depression will be the inflationary kind rather than the deflationary kind. The inflationary kind is potentially worse because under this scenario the economy is less able to repair itself and you don't get the benefits that would otherwise be conferred by a falling cost of living. Unfortunately, the actions being taken by today's policymakers skew the odds in favour of an inflationary depression.

Finally, forewarned is forearmed. Our economic outlook could prove to be too pessimistic, but if you prepare for a depression – by, for example, getting out of debt and building up substantial reserves of cash and gold – and things turn out better than expected, you won't lose much. On the other hand, you will probably lose a lot if you prepare for a rosy scenario and a depression actually occurs." FC

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From Capitalism to Socialism to Communism: 1929 vs. Today

By Carl Teichib (www.forcingchange.org)

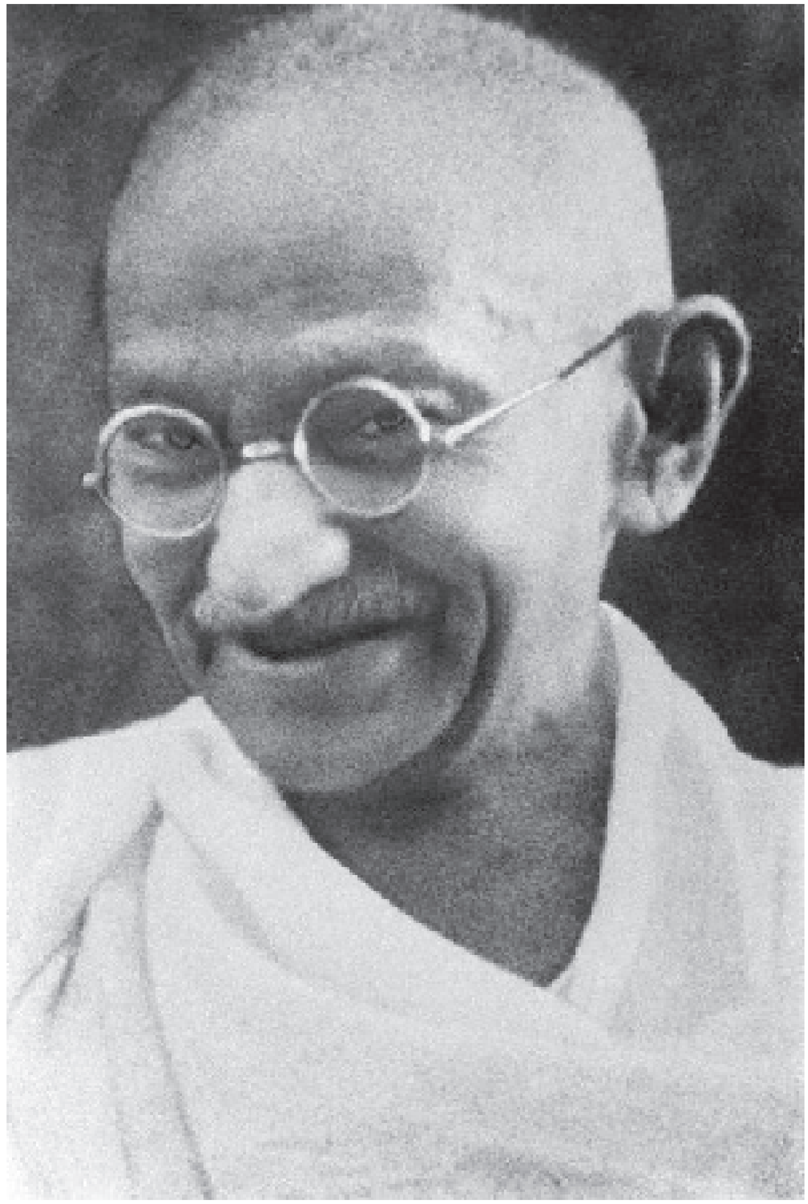
So often we overlook the historical movements, philosophies, and concepts that shape and challenge our society. And we ignore this is to our own demise.

Take for instance the third point of the 1929 Programme of the Communist International, *which is a must read*. To our modern way of thinking there's no point in reviewing something so outdated and insignificant – there's nothing to learn from this forgotten and dead document. After all, "communism" died with the fall of the Berlin Wall and the collapse of the Soviet Union.

Really? If that's the case, what is old is new again.

Since October 2008, an almost daily stream of news reports has proclaimed that capitalism is on the edge of an abyss. Moreover, if capitalism is to be saved it must morph into something different – something more equitable and more humane. One Indian leader recently suggested the abandonment of both capitalism and socialism, opting for a system of "Gandhian vision and values."[1]

Mahatma Gandhi, the political and spiritual leader of Indian independence from British colonial rule, was very open about his economic outlook; "I claim to be a foremost Communist."[2] His vision of communism, as compared to the European model, was that of the State carrying "out the will of the people, not to dictate to them."[3] It's all semantics.



M. K. Ghandi

So what's going to replace capitalism now that the world economy is crumbling? An international system based on universal, humanistic values – a form of neo-communism or global socialism? Yes and Yes.

Under Marxist/Leninist thought socialism is a "first" or "lower phase of Communist Society."[4] Long deceased Soviet leader, Nikita Khrushchev, yearned for a future where capitalism would be replaced by socialism, and in turn by communism.

> "Capitalism is a worn-out old mare while socialism is new, young, and full of teeming energy…Our firm conviction is that sooner or later capitalism will give way to socialism…Socialism will inevitably succeed capitalism."[5]

> "We are convinced that sooner or later capitalism will perish…All the world will come to communism."[6]

V.I. Lenin, the revolutionary Soviet leader, recognized that this shift from capitalism to socialism to communism wouldn't happen in a vacuum. It needed an evolutionary phase.

> "…there must undoubtedly be a special stage or epoch of transition from capitalism to Communism…the transition from capitalist society, developing towards Communism, towards a Communist society, is impossible without a 'political transition period'…"[7]

Socialism, that changeover process, is now being pushed internationally by a myriad of world leaders and financial experts. As this issue of *Forcing Change* is being finalized, British Prime Minister Gordon Brown and US President Barack Obama have just met to discuss the global economic crisis.

Gerald Warner, an author and commentator, called this Brown-Obama event "the closest thing left to a meeting of the Comintern." The Comintern, shorthand for the Communist International, was the primary organ that tied the world communist movement together from 1919 until 1943.

Was Mr. Warner saying that these two world leaders are closet communists? Not exactly; the point he was making is that both of these men have a view of the world that is socialist in orientation, and that this philosophy is what guides an international vision.

"Obama and Brown both burn with the conviction that they know how to spend their countrymen's money far better than the citizens whose sweat earned it. Brown has had more time to put this classic redistributist Marxist delusion into practice. In 2002 he threw £61 billion of extra public expenditure, over four years, at his client state. That was after taking a long back-swing for five years during which he feigned 'prudence' and resorted to stealth taxes.

Obama, aided by the welcome pretext of a recession, was able to hit the ground running with his $8 billion-$1 trillion pork barrel he calls, without conscious irony, a "stimulus" plan. He will go down in history as the president who fouled his own nest in his first month…

If Obama had found the inspiration, in office, to ditch the interventionist economic illiteracy that had been his platform during the election campaign, to admit publicly that things look very different from inside government and do what needed to be done – cut taxes massively – he might just have transformed himself into something resembling the messianic figure he counterfeits. But of course it was not in the nature of the beast – Chicago-based pork-barrel liberalism – to change course.

Gordon Brown has behind him the achievement of having bankrupted Britain. Now, grandstanding desperately in the deluded hope of avoiding wipe-out at the polls, he wants Obama to sign up to his fantasy agenda for a New World Financial Order."[8]

And this brings us back around to the 1929 Programme of the Communist International. Like world leaders today, the Comintern was seeking a new financial order to replace the capitalist system. Moreover, the planet was teetering on the brink of a financial collapse in 1929 – ditto today. Finally, just as the cry now is to replace "greedy capitalism" with a system of global equality and shared benefits, the Comintern proposal was to usher in an era of great social betterment. The correlations are enough to make a person pause.

If this analysis is correct, capitalism will be increasingly demonized, socialism accepted for the "greater good," and communism – the abolition of private property and production under the hands of a ruling bureaucracy9 – tolerated as a necessary safeguard against the evils of individualism and private gain.

I hope I'm wrong. But it seems that what is old is new again.

The Programme of the Communist International.
Comintern Sixth Congress 1929.
III. The Ultimate aim of the Communist International – World Communism.

The ultimate aim of the Communist International is to replace world capitalist economy by a world system of Communism. Communist society, the basis for which has been prepared by the whole course of historical development, is mankind's only way out, for it alone can abolish the contradictions of the capitalist system which threaten to degrade and destroy the human race.

Communist society will abolish the class division of society, i.e., simultaneously with the abolition of anarchy in production, it will abolish all forms of exploitation and oppression of man by man. Society will no longer consist of antagonistic classes in conflict with each other, but will present a united commonwealth of labour. For the first time in its history mankind will take its fate into its own hands. Instead of destroying innumerable human lives and incalculable wealth in struggles between classes and nations, mankind will devote all its energy to the struggle against the forces of nature, to the development and strengthening of its own collective might.

After abolishing private ownership of the means of production and converting these means into social property, the world system of Communism will replace the elemental forces of the world market, competitive and blind processes of social production, by consciously organised and planned production for the purpose of satisfying rapidly growing social needs. With the abolition of competition and anarchy in production, devastating crises and still more devastating wars will disappear. Instead of colossal waste of productive forces and spasmodic development of society there will be a planned utilisation of all material resources and a painless economic development on the basis of unrestricted, smooth and rapid development of productive forces.

The abolition of private property and the disappearance of classes will do away with the exploitation of man by man. Work will cease to be toiling for the benefit of a class enemy: instead of being merely a means of livelihood it will become a necessity of life: want and economic inequality, the misery of enslaved classes, and a wretched standard of life generally will disappear; the hierarchy created in the division of labour system will be abolished together with the antagonism between mental and manual labour; and the last vestige of the social inequality of the sexes will be removed. At the same time, the organs of class domination, and the State in the first place, will disappear also. The State, being the embodiment of class domination, will die out in so far as classes die out, and with it all measures of coercion will expire.

With the disappearance of classes the monopoly of education in every form will be abolished. Culture will become the acquirement of all and the class ideologies of the past will give place to scientific materialist philosophy. Under such circumstances, the domination of man over man, in any form, becomes impossible, and a great field will be opened for the social selection and the harmonious development of all the talents inherent in humanity.

In Communist society no social restrictions will be imposed upon the growth of the forces of production. Private ownership in the means of production, the selfish lust for profits, the artificial retention of the masses in a state of ignorance, poverty – which retards technical progress in capitalist society, and unproductive expenditures will have no place in a Communist society. The most expedient utilisation of the forces of nature and of the natural conditions of production in the various parts of the world, the removal of the antagonism between town and country, that under capitalism results from the low technical level of agriculture and its systematic lagging behind industry; the closest possible co-operation between science and technique, the utmost encouragement of research work and the practical application of its results on the widest possible social scale; planned organisation of scientific work; the application of the most perfect methods of statistical accounting and, planned regulation of economy; the rapid growth of social needs, which is the most powerful internal driving force of the whole system-all these will secure the maximum productivity of social labour, which in turn will release human energy for the powerful development of science and art.

The development of the productive forces of world Communist society will make it possible to raise the well-being of the whole of humanity and to reduce to a minimum the time devoted to material production and, consequently, will enable culture to flourish as never before in history. This new culture of a humanity that is united for the first time in history, and has abolished all State boundaries, will, unlike capitalist culture, be based upon clear and transparent human relationships. Hence, it will bury forever all mysticism, religion, prejudice and superstition and will give a powerful impetus to the development of all-conquering, scientific knowledge.

This higher stage of Communism, the stage in which Communist society will have developed on its own foundation, in which an enormous growth of social productive forces has accompanied the manifold development of man, in which humanity has already inscribed on its banner: "From each according to his abilities to each according to his needs!" – presupposes, as an historical condition precedent, a lower stage of development, the stage of socialism. At this lower stage, Communist society only just emerges from capitalist society and bears all the economic, ethical and intellectual birthmarks it has inherited from the society from whose womb it is just emerging. The productive forces of socialism are not yet sufficiently developed to assure a distribution of the products of labour according to needs: these are distributed according to the amount of labour expended. Division of labour, i.e., the system whereby certain groups perform certain labour functions, and especially the distinction between mental and manual labour, still exists. Although classes are abolished, traces of the old class division of society and, consequently, remnants of the proletarian State power, coercion, laws, still exist. Consequently, certain traces of inequality, which have not yet managed to die out altogether, still remain. The antagonism between town and country has not yet been entirely removed. But none of these survivals of former society is protected or defended by any social force. Being the product of a definite level of development of productive forces, they will disappear as rapidly as mankind, freed from the fetters of the capitalist system, subjugates the forces of nature, re-educates itself in the spirit of Communism, and passes from socialism to complete Communism. FC

Carl Teichrib is editor of Forcing Change (www.forcingchange.org), a monthly intelligence-styled journal documenting and analyzing the changes taking place in Western society.

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[8] Gerald Warner, "Barack Obama and Gordon Brown: A Two-Man Socialist Comintern," Telegraph Blog, March 3, 2009. See the blog article at http://blogs.telegraph.co.uk/gerald_warner.
[9] Karl Marx and Friedrich Engels, *The Communist Manifesto* (Penguin Classics, 1988/1985), p.96. Private property and production goes

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